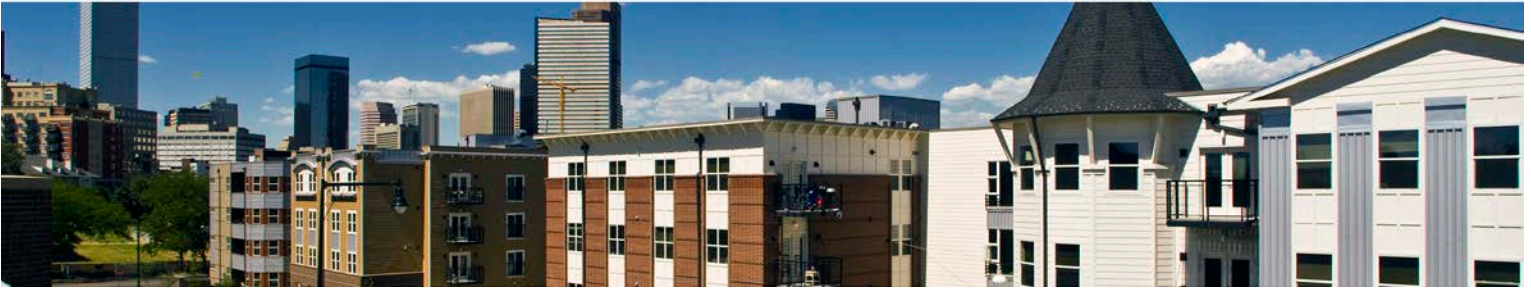


# 9% lihtc application narrative



**Project Name:** Aria Phase II Apartments (Aria II)

**Project Address:** 5274 Decatur St., Denver, CO

## **I. Executive Summary:**

**a. Construction Type:** Aria II will be a wood framed, 4 story building, on a post tension slab with one central elevator core and two interior stairwells. The exterior will be Hardie Plank siding. IBC Construction category is Type 5A. The architectural style will be contemporary with a low-sloped roof.

**b. Population Served:** Aria II serves families with incomes from 30% - 60% AMI. See Chart below:

### **c. Bedroom Mix**

Unit Type	Square Feet	30% AMI	40% AMI	50% AMI	60% AMI	Total Units
1BR/1BA	693	3	21	9	20	53
2BR/1BA	994	1	5	2	4	12
TOTAL		4	26	11	24	65
%		6%	40%	17%	37%	100%

**d. Location:** 5274 Decatur Street. Aria II will be at the corner of 53<sup>rd</sup> Avenue, and Decatur Street in the Aria Denver redevelopment of former Marycrest Convent Campus in Denver. The location of the Aria II apartments is in the NE corner of the overall Aria Denver site, adjacent to Phase 1 Aria Apartments. The site is within the boundaries of Denver but is surrounded on three sides by Adams County.

### **e. Amenities:**

#### **Unit Amenities**

- Energy Efficient Stove, and refrigerator;
- Kitchens with islands or peninsulas;
- Dining areas and eat-at counters
- Closets and pantry's
- Cable and High Speed Internet hookups;
- Private patios for the ground floor units;
- Balconies for all upper floor units
- Washers and dryers in all units.

#### **Site and Project Amenities**

- Mixed-use, mixed-income community;
- Multi-generational community,
- Diversity of housing types;
- Neighborhood serving retail;
- Includes latest, green technologies;
- Open Space with outdoor fitness walks and ADA compliant exercise equipment;
- Pedestrian friendly sidewalks/bike paths
- Way-finding signage;
- Services of Cultivate health, fresh food.

**f. Services:** A part-time Resident Services Coordinator (RSC) is on staff at the Phase 1 Aria Apartments and will also provide services to Aria II residents. The RCS will be responsible for ensuring residents have access to necessary supportive services and adjust comfortably to their new living environment. The RSC will be the liaison between the residents, and other case management services offered by Denver agencies such as MHCD, the YWCA and INNOVAGE, etc. The RSC also coordinates resident interaction with Property Management: facilitating effective communication, preventing/resolving Tenant/Landlord issues, and linking residents to in-kind services. The RSC has successfully provided these services for the past two years. The RSC also works with the Cultivate Health coordinator who provides services such as a community newsletter, community yoga, gardening, cooking classes, volunteer opportunities, and coordination with services at Regis.

**g. Energy Efficiencies and Green Features:** Aria II will use energy efficient strategies throughout construction and operations. Examples are: Construction waste management plan will reduce the amount of material sent to the landfill by at least 65%. More than half of the products used for construction will be extracted, processed and manufactured within 500 miles of the site. The roofing is highly reflective energy star compliant membrane material designed to incorporate a 65kW solar system. Green measures include: highly insulated facades; low/no VOC paints; low-e double pane windows; recycled and Green labeled carpeting/flooring; Energy Star appliances, highly efficient lighting, water-conserving fixtures; high efficiency HVAC; and native vegetation with a low-impact storm water system. Aria II is designed with the same high standards as Aria Apartments that was awarded the 2014 Mayor’s Design Award for Sustainability and the ULI Impact Award for Infill Development.

**h. Financing including Local State and Federal Subsidies:** First Bank of Denver will provide a 24-month Construction Loan, not to exceed \$5,981,136 at 30 day Libor plus 2.5% with a 3.5% floor.

Sources (Permanent)	Amount
CHFA - Permanent Debt (5.5%, 30 years)	\$1,729,445
LIHTC Proceeds (@ \$.95/\$1.00)	\$11,535,060
City HOME Loan (1%, 40-year Cash Flow Loan)	\$650,000
State HOME Loan (1%, 40-year Cash Flow Loan)	\$650,000
Deferred Developer Fee	\$155,000
Owner Equity	\$215,193
<b>TOTAL</b>	<b>\$14,934,698</b>

**i. Changes Since Last Application:**

- 1) Since the application submitted in 2016, there have been changes made to the affordability distribution for Aria II. The 2016 application had a total of 18 units at 30% AMI (27.7%), however because Denver Housing Authority is not able to support Aria II with the 18 Project Based Vouchers, the project affordability at 30% AMI has decreased to 6.2%. To meet the City of Denver’s goal to incentivize more units at 30% and 40%, the percentage of units at 40% AMI has increased from 0% in the last application to 40% in this application, bringing 46.2% of the units at or below 40% AMI and exceeding the City’s goal of >45% units at 40% AMI. In total, the units at or below 50% AMI has increased to 63.1% in this application from 58.5% in the 2016 application.
- 2) With changing market conditions including Federal Tax Equity pricing decreasing from \$1.10 to 0.95 and quoted permanent loan interest rates increasing from 5.25% to 5.5%, the project requires subsidized loans from the State and City of Denver of \$650,000 each. Subordinate finance was not required in 2016.

## II. Project Characteristics:

Aria Apartments Phase II (Aria II) is a proposed 65-unit apartment complex located at 5274 Decatur in Denver. The building will be adjacent to the successful Aria Apartments that was completed in 2013. Aria II will serve families earning 30% -60% AMI. Aria II will be developed by Perry Rose (PRCo), the Denver office of Jonathan Rose Companies (JRCO), one of the nation's leading and most sustainable affordable housing developers. First Bank will provide construction financing, CHFA will provide the permanent financing and Enterprise will purchase the Federal LIHTC Equity.

The Aria II site is part of Phase 3 of the redevelopment of the former Marycrest Campus, now called Aria Denver. It is in the Chaffee Park Neighborhood (Census Tract 2.01) and is in a NSP 2 Target Area. In 2012, City Council designated the Aria site as an Urban Renewal District. Phase 1 of Aria Denver was completed in 2013 and consists of 72-unit Aria LIHTC Apartments and 13 Townhomes. Phase 2 of the Aria Denver was completed in May of 2017 and consists of 28 condos (co-housing with 8 affordable for-sale units) and the sale of 42 townhome/Rowhome lots to Wien's Development (9 town home units currently under construction). Phase 3 of Aria Denver will consist of 65 Aria II LIHTC apartments, 48 condominiums on the corner of Elm and 52<sup>nd</sup> Ave (land sale under contract) and 8,000 sf of commercial on the corner of 52<sup>nd</sup> and Federal (under LOI).

Aria Denver is a centrally located mixed-use community. Aria is located on a 17-acre infill site. The place making design and diversity of Aria reflects the heritage of the Marycrest Sisters' of Saint Francis commitment to social and environmental stewardship and community building. Aria Denver is a "Community of Opportunity" focusing on using affordable housing as a platform to create opportunities for healthy, active, life-long learning and living (See Attachment 1 for photos of Community of Opportunity Activities). Aria is across the street from Regis University. Aria Denver is distinguished by its diversity of housing types, including townhomes, condominiums, co-housing, market rate and affordable apartments. The first "pocket neighborhood" in Denver will be developed in this community where smaller, more affordable, townhomes will be built around a central green. 14 of the pocket units will be set aside to provide For-Sale Affordable Housing. At full build-out Aria will consist of approximately 400 housing units. If Aria II is approved, approximately 35% of the total units will be affordable. Residential units will be linked by pedestrian friendly streets, open spaces and 30,000 square feet of neighborhood serving commercial shops. A Letter of Intent has been executed between Aria Commercial and Starbucks to lease 2000 sf in Aria's first commercial building at the corner of Federal and 52<sup>nd</sup>. (See Attachment 2 for Rendering, Site Plan and LOI for Starbucks Building). The Commercial area will be developed by a LLC owned by Marycrest Master Developers Jonathan Rose and Jerry Glick. The developers are in discussions with several other national and local tenants to lease the remainder of the commercial space. The first Aria Commercial Building will start construction in November 2017 and Starbucks will open in June of 2018.

In 2014 Aria Denver, partnering with Regis University, Perry Rose, Urban Ventures and the Chaffee Park Neighborhood Association, was awarded a \$1 million grant from the Colorado Health Foundation to fund "Cultivate Health" (CH). Aria's goal is to utilize the Cultivate Health grant to create a "Community of Opportunity" to support the wellness of residents in a multi-generational, mixed-income, mixed-use, pedestrian friendly community by promoting active lifestyles, access to healthy food, and access to integrated health services. At Aria, the Cultivate Health Grant has resulted in: a one-acre of production farm with a "pay what you can food stand" for low-income residents, a greenhouse that provides

hydroponic vegetables, year around; healthy cooking classes; hiring a neighborhood cultivate health coordinator to administer community gardening, yoga classes, walking groups, enhanced neighborhood communications, etc.; completion of 52<sup>nd</sup> and Federal median improvements; sidewalk, landscape, pedestrian lighting and way-finding improvements along 52<sup>nd</sup>, providing bicycle racks and bike paths. (See Attachment 1 for photos of Aria’s Community of Opportunity Activities)

### **Why Project Should Be Selected Above Others:**

Aria II should be selected above others because it is a Community of Opportunity linking Housing, Health and Jobs consistent with the Mayor Hancock’s 2017 Denver HOPE Initiative. (See Cover Letter). Few other projects can demonstrate such a commitment to the improvement of the physical, mental and economic well-being of residents. These factors will allow Aria II to increase the quality of life for low-income families by reducing housing, transportation, food and health costs. Reducing these costs will save each family approximately \$6,000 per year and can make it possible for families to afford their rent, groceries and medical costs, without sacrificing one for the other. In addition, Aria II is a key component of a planned mixed-income redevelopment strategy for the Chaffee Park/Regis Neighborhoods. It is not just a single affordable apartment building. Singular LIHTC apartment building applications will have less impact on the wellbeing of the residents, the improvement of surrounding neighborhoods and will leverage less public and private resources than planned Communities of Opportunity, like Aria.

Aria II is needed to address the increasing displacement of low-income families in the rapidly gentrifying Chaffee Park and Regis neighborhoods (See Cover Letter). In the past year, Chaffee Park has reached the tipping point of change from a moderately priced neighborhood to a neighborhood highly vulnerable to gentrification. Low-income residents who have spent their lives in these neighborhoods are now being displaced at an alarming rate and Aria II’s LIHTC units are badly needed to help offset this displacement.

LIHTC approval of Aria II in 2017 is essential to the viability of the Marycrest Urban Renewal District and the inclusion of additional affordable rental housing in the project. Each year that the Aria LIHTC is not approved, infrastructure costs go up and it becomes more difficult to hold the land cost for the affordable housing and to meet the schedule for generating TIF revenues required by the redevelopment agreement. Phase 2 of Aria Denver is now complete. We have a LOI from Starbucks for the corner of 52<sup>nd</sup> and Federal and a contract for another 48-unit condo site at 52<sup>nd</sup> and Elm. Therefore, we are getting close to finishing all land sales at Aria. There are LOI’s, sales contracts or active purchase negotiations on all the other Aria Denver parcels. Aria II is a critical element of Phase 3, however if the LIHTC allocation is not approved in this round, economic pressures may demand the sale of the site for market rate housing and the Aria II site may be lost as an affordable housing resource.

Aria II implements and is consistent with the Mayor’s 2015 Denver Housing Plan and the 2016 Denver Housing Report. Aria II ranks high in meeting the housing priorities included in “Housing Denver: A five-year plan – 2015-2019” and the 2016 Denver Housing Report. The 2015 priorities include: “Priority 5: Increase Housing Diversity. Aria is a diverse mixed-use, mixed-income community including for-sale units, market rate units, affordable units; Priority 6: Preserve Workforce and Critical Needs Housing. Aria II provides housing for workforce families earning 30%-60% AMI; and Priority 8: Encourage Sustainable Housing Development. The 2016 Housing Report priorities that Aria II meets include: a) Promoting Compete Communities by providing access to economic mobility and other neighborhood resources; b) Balancing revitalization with strategies to preserve affordability and reduce displacement by prioritizing projects in parts of the City vulnerable to gentrification; c) Building Model Mixed-Income Developments that mix affordable and market rate units; d) Working with vulnerable populations by

providing supportive services and restricting more than 45% of the units to families earning 30%-40% AMI.

Strong, Experienced Development Team: Aria II will be developed, financed, built and leased by the same successful experienced team that completed the Phase 1 Aria Apartments and that developed the Trocadero and Cottage Hill Apartments. The Team of Perry Rose, OZ Architecture, Palace Construction and Rose Companies Management have completed 3 other LIHTC projects in Denver and have worked together for over 15 years. JRCo is one of the nation's leading green affordable housing developers.

Success of the Phase 1 Aria Apartments and Proven Market Demand: The Aria II market area has significant unmet demand for affordable housing. The Phase 1 Aria Apartments was fully leased in 90 days, and now has a waiting list of over 600 individuals, showing that this market area and this planned community has more unmet demand and a higher probability of filling this demand than other projects. Aria II has a capture rate 9.3%, which is highly attainable in a PMA with an overall vacancy rate of 3%, and multiple properties with wait lists.

Significant Leveraging of Private Investment: Aria II will serve as the next step in completing a total project with an estimated value of approximately \$85 Million. No other 2017 LIHTC allocation proposal will create this magnitude of private investment, economic spin-off and additional permanent jobs.

Strong Support from the City of Denver: Aria II has strong support from the City as evidenced by Council's approval of TIF financing and the 2011 approval by Denver OED for a \$5M NSP/Skyline Loan to help fund infrastructure improvements for Phase 1. Denver has also named Aria/Chaffee Park as 1 of 2 pilot "Sustainable Neighborhoods" designated by the Office of Sustainability.

Proximity to Transit: Aria II is 2/3<sup>rd</sup> of a mile from the 60<sup>th</sup> and Federal, Gold Line Station.

## **Strengths and Weaknesses:**

### **Strengths:**

Aria II is part of a Community of Opportunity linking Housing, Health and Jobs consistent with the Mayor Hancock's 2017 Denver HOPE Initiative. (See above and Cover Letter). JRCo is leading a national study with Enterprise, and the Harvard, Columbia and Dartmouth Schools of Public Health to create metrics to assess the impacts on low-income families of Communities of Opportunity linking housing, health, education, jobs and transit. Aria II residents will be a first hand and direct beneficiary of this research.

Green Sustainable Low-Income Apartment Building. Aria II will exceed Enterprise Green Communities.

Compact, High Density Building Type: High-density project. The 4-story building is 56.5 units per acre.

Urban Infill Development: Aria provides the opportunity to develop underutilized land of the Marycrest Campus and connect the site to the surrounding neighborhoods. By connecting to existing infrastructure, it brings together disconnected neighborhoods and improves surrounding properties, and businesses.

Pedestrian Friendly: Aria Denver will be connected by pocket parks, open space networks, sidewalk/streetscape improvements, way-finding and enhanced bicycle routes. Open-space includes: a community park with playground and adult (ADA) exercise equipment, amphitheater, community gardens and production farming, car and bike sharing, pedestrian and bike friendly private streets.

Competitive Project Amenities: In-unit and common area amenities exceed market standard per the surveyed rental projects in the Primary Market Area (PMA) of the Market Study.

### **Weaknesses:**

Since this is the 6<sup>th</sup> time that the Aria II application has been submitted, we feel that all the potential weaknesses have been addressed and resolved. Each time the application did not receive an award, the Aria II team met with CHFA staff and thoroughly discussed needed actions to address the weaknesses. At the 2016 meeting, staff stated that we had met all their recommendations. Based on this input we believe that Aria II is a very competitive application and should receive a 2017 9% LIHTC allocation.

### **2. Identify which, if any of the priorities in Section 2 of the QAP: NONE**

### **3. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:**

- **To support rental housing projects serving the lowest income tenants for the longest period of time.** 63% of Aria II's units serve families earning less than 50% AMI. 46% of Units serve families at or below at 40% AMI. Project affordability is 40 years.
- **To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria:** Aria II is not in a QCT. However, the site is in a NSP 2 Target Neighborhood and is in the Marycrest Urban Renewal District.
- **To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas:** Aria II is in Denver, which has more low-income housing need than any other jurisdiction in the state.
- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit:** Perry Rose is a strong, experienced for-profit developer.
- **To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing:** Aria II will serve 100% low-income families (30%-60% AMI). Family housing is desperately needed in the rapidly gentrifying Chaffee Park neighborhood.
- **To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail:** Aria II is within ¼ mile of the Federal Blvd. High Frequency Bus Route and within 2/3<sup>rd</sup> of a mile of the Gold Line Station at 60<sup>th</sup> and Federal.
- **To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing:** Aria II will add permanent affordable housing to an area of NW Denver that is in critical need of affordable rental housing. Over the past 5 years, the Chaffee Park neighborhood has lost rental housing and has experienced over an 82% increase in the average home sale price in the last five years. Thus, the Aria II site is under pressure to convert to a market-rate project. However, the development team prefers a mixed income community including LIHTC affordable housing.



- **To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period:** Aria’s Phase II requested allocation is \$1,214,217, as required by the project gap.
- **To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval:** Aria II is requesting approximately \$18,680 per unit of Federal LIHTC Equity allocation. This amount is in the lower third of all Federal LIHTC Equity requests in this round.

**4. Describe how the project meets the criteria for approval in Section 2 of the QAP:**

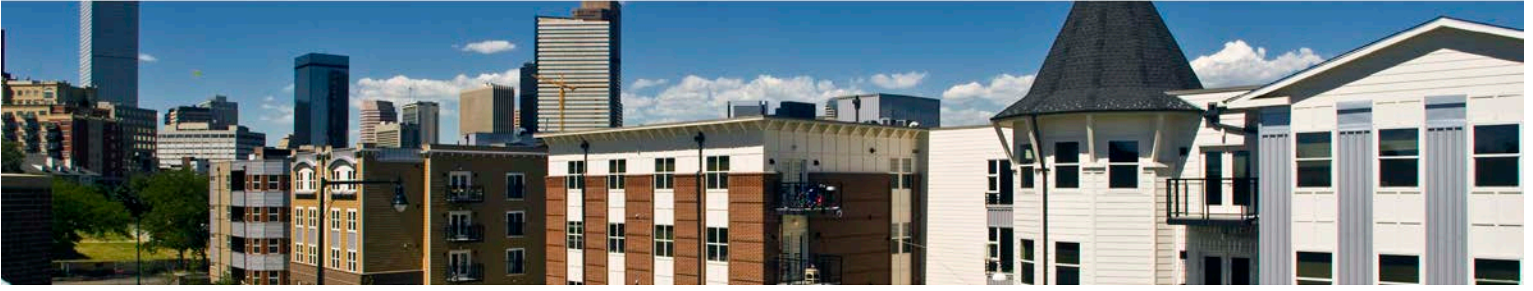
- Market conditions:** The market analysis indicates that Aria II will have a large demand from within its PMA, as well as strong demand resulting from the need for more affordable family housing throughout the Denver Metro Area and the state of Colorado. The Market Study concludes that: Aria II has a capture rate of 9.3% which is highly attainable in a PMA with an overall vacancy rate of 3% and multiple properties with wait lists. The subject’s proposed amenity package, and tenant services will place it at or near the top of the rental market for its product type...” Aria Apartments has a waiting list of over 600 families and that 46% of the people on the waiting list live or previously lived in the neighborhood.
- Readiness-to-proceed:** The Aria site is Zoned RMU 30, which allows the proposed multi-family uses. The only approval required is a building permit. The PBG Final plan was approved in 2015. The Aria II transaction can be closed per the schedule in this application. Construction is will start in July of 2018 and will be completed in Aug. 2019.
- Overall financial feasibility and viability:** Aria II is financially feasible. The financing proposed for Aria II is similar to the financing of Phase I Aria Apartments. Aria Apartments were completed on time and on budget and have been economically successful.
- Experience and track record of the development and management team:** Aria II is being designed, financed and constructed by an experienced team that has worked together and completed numerous successful projects together over the past decade. OZ Architecture designed both HGV Senior Apartments and HGV Multi-Family Apartments and Phase 1 Aria Apartments. Palace Construction built HGV Multi-Family Apartments and the Phase 1 Aria Apartments. Rose Companies Management has successfully managed HGV Senior, HGV Multi-Family, the Denver Dry Goods Building and the Phase 1 Aria Apartments, all of which include LIHTC units, and have been in compliance with all appropriate regulations JRCo has completed over 3600 units of affordable housing in the past 2 decades.
- Cost reasonableness:** Aria Family meets the Cost reasonableness test based upon the Unit Basis Limit Calculation. Under the Unit Basis Limit Test, the total eligible basis would be \$16,607,396 resulting in an average per unit cost of \$255,498. The average per unit cost of Aria Family is \$229,765 or \$26,033 per unit less than the unit basis limit. The Construction costs of \$156 psf are reasonable and the land purchase price of \$840,000 or \$12,923 per unit is reasonable when compared to the land and construction costs of other projects.
- Proximity to existing tax credit developments:** According to the 2017 Market Study, “The PMA has 12 existing LIHTC projects containing 613 income restricted units. Of these, six are age-restricted projects with 454 units and six are non-age-restricted with a total of 159 units. There are 3 existing deeply-subsidized LIHTC projects within the PMA including 270 units. Completion of the subject along with another project under construction will raise the PMA’s LIHTC inventory to a total of 723 units.” The most recently completed LIHTC project leased-up within three months, illustrating the degree of high pent-up demand in the PMA.
- Site suitability:** Aria II is located: just over three miles from downtown’s CBD, .2 miles from a bus stop with service every 15 minutes, .4 miles from a 7-11 convenience store, .3 miles from a neighborhood shopping center with a dry cleaners and local restaurants, .6 miles

from Regis, .9 miles from the future Gold Line Transit Station at 60<sup>th</sup> and Federal, .96 miles from a Grocery Store and 1.4 miles from a Recreation Center.. The closest elementary School is Beach Court, 0.5 miles to the South. There are multiple community churches nearby. Berkley Park is located one block from the property. Zuni Park is 0.3-mile from the property and includes a playground, basketball court, and baseball field. These services are superior to the services available to most affordable apartments and particularly superior to suburban LIHTC apartments. The Market Study states that the development of Aria's master-planned community "will eliminate surrounding vacant parcels, eliminate blight, increase the amount of residential land uses in the area and improve the sites suitability for its proposed use".

5. **Justification for waivers or financial need NOT APPLICABLE.**
6. **Market Analyst DID NOT RAISE ANY ISSUES in the market study. See Market Study page 5.**
7. **NO issues were raised in the environmental report. THE SITE IS CLEAN.**
8. **There are NO unusual features that are driving costs upward nor opportunities to contain costs any further.**
9. **Public outreach** for the Aria Denver and Aria II Apartments consisted of the following: The site was rezoned in 2008. The re-zoning required a public hearing before City Council and there was significant outreach to residents and favorable testimony from the surrounding neighborhood to support the rezoning. In 2012, City Council approved the site as an Urban Renewal District (URA) requiring another public hearing. There was significant outreach to the neighborhood about the URA and testimony before Council. The support of the community is evidenced by the TIF Financing approved for the URA. In 2012, the first PBG was approved to govern the Phase 1 development. The PBG requires solicitation of public comments. This included soliciting input on the 72 units of family LIHTC Aria Apartments. The Developer has continued to work with the Sisters of Saint Francis, Regis and the surrounding neighborhood to obtain public comment on the proposed activities. For example, a display was posted at Regis from 2012 through 2014 describing the history of the Marycrest Campus and the proposed redevelopment. Significant public outreach was involved in preparing the CH grant application including working with the Chaffee Park Neighborhood Association, Marycrest Assisted Living, Beach Court Elementary School, Cooking Matters, Denver Urban Gardens, Urbiculture, Groundworks, Trust for Public Lands, Project Recycle, Bicycle Colorado, Caring for Colorado, The Colorado Trust, and other community partners. In 2012 and 2013 the Developers engaged Regis University and the surrounding neighborhood residents to participate in a community garden established on the site. In 2013, Aria and the Chaffee Park Neighborhood were selected as a pilot Denver Sustainable Neighborhood. In 2015, the Chaffee Park Sustainable Neighborhood Program continued the community outreach with a new website and enhanced recycling program. These and other activities resulted Chaffee Park being awarded Denver's first Outstanding Sustainable Neighborhood Award. The Phase 2 PBG was approved in 2015 and public comment was received on this application. In 2016, Perry Rose held a public hearing to announce its intent to apply for a LIHTC allocation for Aria Phase II Apartments. Everyone attending the hearing testified in favor. These outreach efforts exceed the outreach efforts of other projects and will continue through the Cultivate Health Program.



# 9% lihtc application narrative



**Project Name:** Citadel on Colfax

**Project Address:** SEC of East Colfax Avenue and Sable Boulevard, Aurora, CO 80011

## 1. Executive Summary:

The Citadel on Colfax is an intentional master planned community that seeks to provide a physical space with a multitude of programmatic interventions to serve and empower veterans. The cornerstone element of the entire master community will be the subject affordable and permanent supportive housing development as described throughout the accompanying application. The goal of the proposed housing development is to create an environment that is conducive to the integration of Veterans across a multitude of income levels and experiences, leveraging their shared military and Veteran culture to form meaningful, supportive community bonds. Additionally, by intent, the development will provide significant benefit to the surrounding community, with a goal of inviting the community to take part in the reintegration of veteran's onsite and bridging the so-called "civilian-military divide." The residence will be developed on 1.2 acres with ample secured outdoor space onsite to provide supporting services and recreational opportunities for residents. The proposed development will be comprised of sixty-one (61) one-, two-, and three-bedroom units, ample space both indoor and outdoor for community use, case management, and other supportive services in one three-story elevator-served low-rise building. Twenty of the units will be designated as permanent supportive housing (PSH) supported by ten HUD-VASH and ten HUD project based vouchers where tenants will contribute 30% of their income towards rent. The remaining forty-one units will have a tenant selection preference for persons who have served in the military and will be restricted to households earning 50% and 60% of area median income (AMI), or less. These units will also take referrals from coordinated entry, the Department of Veterans Affairs (VA), Volunteers of America (VOA), and will be available to veterans who are in the SSVF or other Rapid Rehousing programs. If awarded tax credits, the proposed development will be the first low-income veteran focused housing residence in Aurora, CO. As articulated throughout this application, the project is potentially more impactful now due to the expected influx in demand for this development as a result of veterans relocating to the area to access services provided at the VA hospital once it opens in 2018. The developer's goal is to construct and stabilize the housing complex as close to the expected opening of the hospital to account for the anticipated demand. Additionally, when determining award, it should be noted that awarding now also ensures a long-term (at least 30 year) partner of the VA, thus creating a stable and consistent resource for the veteran residents going forward.

**Location:** The project's location in a mixed use master planned community close to the VA Hospital and the Fitzsimons medical campus, high-frequency transit and light-rail, educational facilities, and nearby shopping and community amenities makes it ideal to support the success of the Citadel's residents.

**Population Being Served:** Residents of Citadel on Colfax will be restricted to low-income veterans, including formerly-homeless veterans. Of the sixty-one units, twenty of the units will be designated as permanent supportive housing (PSH) supported by ten HUD-VASH and ten HUD project based vouchers. The remaining forty-one units will be restricted to residents making a maximum of 50% and 60% of AMI and will have a tenant selection preference for persons who have served in the military to further the project’s mission of providing community reintegration, stable housing, and much needed supportive services to low-income veterans.

**Bedroom Mix:** The building will have the following unit mix, catering to individuals, couples, and small families.

UNIT NUMBER, MIX, SIZE, AND TYPE								
Unit Type	30% AMI/ VASH	40% AMI/ PBV	50% AMI	60% AMI	Total Units	% of Total	Unit Size (SF)	Type
1BR/1BA	9	9	6	12	36	59.0%	563	Lowrise
2BR/1BA	1	1	8	13	23	37.7%	760	Lowrise
3BR/2BA	0	0	0	2	2	3.3%	1,150	Lowrise
<b>Total</b>	<b>10</b>	<b>10</b>	<b>14</b>	<b>27</b>	<b>61</b>	<b>100.0%</b>	-	-

**Construction:** The three-story building will have two elevators, two stairwells, and thirty-two surface parking spaces of which sixteen will be covered and an additional nineteen street parking spaces adjacent to the complex for resident and visitor use. The building will be constructed using spread footings with a slab-on-grad foundation, first-floor podium, wood framing for the top two floors, and a flat roof sealed with a rolled membrane. The exterior of the building will be a mix of brick veneer and stucco meeting Aurora’s design requirement of 80% brick and stucco. The building was designed based on trauma informed principals leading to the large community space on the third floor with floor to ceiling storefront glass, multiple terraces, and open floor plan allowing plenty of light, fresh air and room to accommodate a variety of services. All apartments will have individual VTAC units for personalized climate control that will be serviced by a duel boiler system on the central floor. The architect and the general contractor have worked diligently together to create an efficient design to mitigate the added costs of meeting Aurora’s design requirements. The plans included in this application have been developed leveraging best practices from similar developments and also, in full coordination with the City of Aurora’s Planning Department.

**Amenities:** The proposed in-unit amenity package includes blinds, vinyl wood flooring, carpet in the bedrooms, heating and air conditioning, ceiling fans, and access to cable and internet. Appliances will include a refrigerator, oven/stove, dishwasher, garbage disposal, microwave, washer and dryer. Community amenities will include a management office, on-site case management, extensive supportive services, business center with computers and printers, free wi-fi in common areas, third floor community room with a kitchen and terraces providing mountain views, and a secured courtyard with barbeques, tables, playground, community garden, and open recreational area with views of and access to the green belt that runs along the back side of the building. As part of the master plan development, the tenants will also have transportation services to the nearby VA hospital, retail and public transportation stations as part of a service provided to all residents within the master plan development by the developer and financed with revenue from. Security will also be a focus at the property with secured controlled access, video surveillance, and 24-hour on-site security personnel. The development also includes sixteen uncovered off-street surface parking spaces and sixteen covered parking spaces, all of which will be included in the rent and available on a first come, first serve basis. The owner will pay for all utilities including electric heating, cooling, water, sewer, and trash expenses.

**Services:** The developer has executed an MOU for supportive services with VOA as the lead provider and the Department of Veterans Affairs who have a long history of collaboration and provide an extensive list of

veteran-centric service that will be available to the residents. Management of the building will be based on the Housing First model and will include Harm Reduction and Trauma Informed Care of which Ross Management Group, the VOA, and VA are all well trained in and practice on a daily basis. Tenant services will include but not be limited to on-site case management, case planning, advocacy for benefits, employment services, peer support, health and medical services, mental health services and substance abuse services. In addition to these services, veterans benefiting from VASH vouchers have access through the VA to clinical social work, peer support specialists, addiction specialists, primary and specialty medical care, comprehensive mental health and substance treatment services, life skills classes, assistance with military benefits, and vocational assistance. A full list of services can be found in the attached PSH project based voucher application. The master development will also include a number of retail stores and restaurants providing nearby job training and employment opportunities to the tenants. Additionally, the developer intends to implement a public improvement tax (PIF) in the retail elements of the entire site to help support these services, either by financially covering service costs, materials and equipment or reducing rents in adjacent buildings for service providers.

**Financing and Local, State and Federal Subsidies:** The financing structure incorporates 9% Federal LIHTC, construction to permanent bank loans, HOME loans, General Partner equity, and deferred developer fee.

**2. Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP):**

- **Projects serving Homeless Persons as defined in Section 5.B 5**

Twenty of the sixty-one units will be designated as VASH supported permanent supportive housing (PSH). All PSH units will be made available according to the Housing First model serving homeless residents requiring substantial, long-term services to help them thrive in their new community. Volunteers of America (VOA) will be the lead supportive service provider and will work closely with the VA to provide health and veteran specific services. Included in the application you will find the project's Supportive Services Plan and Budget, VOA's MOU as the lead service provider, VA MOU as an additional service provider, and the supportive services budget for the project.

- **Projects serving persons with special needs as defined in Section 5.B 5**

The property will not be marketing specifically to persons with special needs, however, a large portion of the veteran tenants will likely meet the definition due to having mobility impairments, disabilities, suffering from PTSD, or suffering from alcohol and/or drug addiction.

**3. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:**

- **To support rental housing projects serving the lowest income tenants for the longest period of time:** This project will have ten units (16.4%) at 30% AMI, ten units (16.4%) at 40% AMI, fourteen units (23%) at 50% AMI and the remaining twenty-seven units (44.3%) at 60% of AMI. Of these units, twenty will benefit from project based HUD and VASH targeting homeless or formerly homeless veterans. Colfax and Sable, LLC will commit to a 30-year affordability period.
- **To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria:** The project is located in a QCT and as demonstrated in the attached Letter of from the City of Aurora, the project helps fulfill the City's affordable housing needs as identified in the 2015-2019 Consolidated Plan (also attached). Mayor Stephen Hogan of the City of Aurora also fully supports the Citadel on Colfax as it will provide not only affordable housing units for veterans, but also much needed housing services such as transitional housing, permanent supportive

housing, supportive services related to workforce development, job placement and behavioral health.

- **To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas:** The property is located along a commercial corridor in a mixed-use, developing, suburban neighborhood near a variety of locational amenities in Aurora, CO.
  - **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit:** The project sponsor, Colfax and Sable, LLC, is a for-profit company.
  - **To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing:** This property is 100% targeted to veteran households at or below 60%, 50%, 40%, 30% of AMI. Twenty units (approximately 33% of the building) will be further restricted to homeless veterans who will benefit from project based HUD and HUD-VASH vouchers where tenants will contribute 30 percent of their income towards rent. The development will contain one-, two-, and three-bedroom units accommodating individuals, couples, and small families from the veteran community.
  - **To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail:** This development is on a high-frequency bus corridor (Colfax Avenue) with a bus stop located less than a block from the property. The site is also located within half a mile of a light rail station located at Interstate 225 and Colfax Avenue.
  - **To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing:** This project adds sixty-one units through new construction on a vacant lot along a high activity commercial corridor within a qualified census tract in significant need of affordable housing for very low income households.
  - **To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period:** After accounting for a 130% boost to the qualified basis for being located in a QCT, the project is qualified to receive annual federal tax credit of \$1,727,689. However, Colfax and Sable, LLC is only requesting 57.6% or \$995,000 of the project's qualified annual tax credit, as this is the amount necessary for the financial feasibility of the project.
  - **To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval:** As mentioned above, Colfax and Sable, LLC is only requesting 57.6% of their eligible annual tax credit, providing CHFA the ability to award more housing units if selected.
- 4. Describe how the project meets the criteria for approval in Section 2 of the QAP:**
- Market conditions:** Market conditions, as detailed in the market study, strongly support the development of this project. Average market rent in the subject's submarket is \$1,218, \$1,282, and \$1,911 for one-, two-, and three-bedroom units, well above the highest rents at the Citadel. Citadel rents are also lower than other LIHTC properties in the PMA. The comparable properties surveyed in the market study all have high occupancy levels with an overall vacancy rate of 1.1% for the LIHTC projects. Waitlists at these properties are running between one to three years long. In addition, the market study states that there are 8,466 qualifying households in the PMA, equating to a capture rate of 17.2% for the general population with demographic data forecasts the population to increase 1.5 percent annually over the next five years. The market analyst estimates

that the subject will take approximately four to five months to reach full occupancy for an average absorption of 18 to 20 units per month. Finally, the 2015 Point-In-Time Report for the Seven County Denver Metro Region, a total of 586 homeless individuals identified as veterans. Do to the transient nature of this population, and many homeless individuals not being accounted for, these figures are likely to be understated.

**Readiness-to-proceed:** The land is controlled by Colfax and Sable, LLC through a deed of trust. Aurora City Council unanimously approved the request to rezone the subject property to a Sustainable Infill and Redevelopment (SIR) District in February 2017. The general contractor, architect, property management provider, compliance partner, tax attorney, and accountant have all been selected. Multiple lenders and investors have expressed interest in the project with terms reflected in the attached proforma. The equity and debt providers will be selected upon receiving a preliminary LIHTC allocation. The City of Aurora has submitted a letter of intent to provide funding for the development of this project. The developer is working with the City through the process for infrastructure site plan approval. Site grading and utilities work is expected to commence in June or July upon receiving the grading permit. All roads to facilitate construction and utilities will be stubbed to the pad site in August and September to facilitate vertical construction commencement in October 2017. Construction of the building is expected to take approximately one year to complete.

**Overall financial feasibility and viability:** The financial feasibility of the project is dependent on receiving 9% Federal LIHTC to finance a large portion of the construction costs allowing the property to place less permanent debt and thereby sustain operations above a 1.15 DSCR, as required by the lender. Tax Credit financing and subsidized rents also allow the developer to restrict the rents at lower AMIs and thereby provide housing to a more vulnerable population. Multiple lenders and investors have expressed interest in the project, providing letters of intent, with terms consistent with the attached proforma. The equity and debt providers will be selected upon receiving a preliminary LIHTC allocation. Based on the proposed financial structure above, the property will be able to cover its debt obligations at or above a 1.15 DSCR for the duration of the 15-year compliance period. The proposed development is very viable with significant demand for a veteran targeted affordable housing based on it being the only LIHTC project in Aurora and the PMA to target veterans, its overall capture rate of 17.4% of income-eligible households, and the low average vacancy of 1.1% with typical waitlist times of 1 to 3 years amongst LIHTC project in the PMA

**Experience and track record of the development and management team:** Northstar Commercial Partners, the developer behind Colfax and Sable, LLC, is a commercial real estate investment company with 16 years of development experience. Since the company's inception in 2000, Northstar has acquired 121 investments totaling 11,413,373 square feet of commercial real estate opportunities at an acquisition cost of approximately \$478 Million. Northstar has established a strong development and operations team, leveraging the affordable and permanent supportive housing experience of Ross Management Group, VOA, S.B. Clark Companies, Milender White, Humphries Poli Architects, and Novogradac & Co. Please see the attached development team resumes for more information.

**Cost reasonableness:** The costs reflect actual estimates based on conceptual/schematic drawings from Humphries Poli Architects. The construction costs per square foot are higher than typical due to the City of Aurora's requirement for more expensive exterior materials and the need for first floor podium construction to achieve the City's covered parking requirements. Total development cost of approximately \$282k per unit is reasonable in comparison with similar developments after adjusting

for significantly higher tap fees, the need for podium construction, and more expensive exterior finishes required by the City.

**Proximity to existing tax credit developments:** The subject development is within 2.5 miles of three existing LIHTC communities: Edge Point Apartments (1.7 mi), Terrace Park Apartments (2.3 mi), and Plaza Townhomes at Macon and Moline (2.5 mi). These LIHTC communities were developed in 2013, 1984, and 2007 respectively and comprise 259 affordable units. The closest LIHTC veterans' development is located in Denver, CO approximately 11.1 miles from the subject and is 100% subsidized permanent supportive housing. The market study cited three planned affordable housing projects in the City of Aurora but none had been awarded tax credits at the time the report was completed.

**Site suitability:** The neighborhood is in a QCT with a strong demand for affordable housing and a large pool of qualified tenants for the proposed development. The site's location close to schools, medical facilities, recreational facilities, employment centers, retail centers and transit is ideal for veterans and their families. Buckley Air Force Base, located approximately 2.5 miles from the subject site, is the largest employer in Aurora, CO and employs more than 11,000. Other major employers are concentrated in the education, healthcare, government and security sectors. The Citadel on Colfax will be located in the center of a to-be-constructed master planned community located to the east of Highway 225 along East Colfax Avenue. The project is located approximately ½ mile from the new VA Hospital, located on the Fitzsimons campus, which will presumably be the primary healthcare source for most residents. The Citadel on Colfax is immediately accessible to the high-frequency bus line along the Colfax corridor and within a quarter mile from a light rail station providing access to the surrounding metropolitan area. A plethora of shopping, restaurants, and recreation facilities are located within a short walk, bus or light rail ride from the complex as well. The Citadel on Colfax is located in a Qualified Census Tract (QCT) with a strong demand for veteran focused housing and a large pool of qualified tenants for the proposed development. Buckley Air Force Base, located approximately 2.5 miles from the subject site, is the largest employer in Aurora, CO and employs more than 11,000 employees. Other major employers are concentrated in the education, healthcare, government and security sectors. As of October 2016, the unemployment rate in the MSA was 2.9% compared to the national average of 4.7% providing ample employment opportunities for the residents. Its proximity to the Community College of Denver at Lowry and the Community College of Aurora at Lowry offers convenient continued education options for the tenants as well. The census tract in which the subject is located has also begun undergoing significant revitalization as a result of state, local, or federal dollars invested in the area. Over the past few years, the former Fitzsimons Army Medical Center, located within a mile of the subject site, has been redeveloped into the Fitzsimons Medical Campus which includes the Anschutz Outpatient and Cancer Pavilions, the Anschutz Inpatient Pavilion, the Colorado Science & Technology Park, University of Colorado Health Sciences Center, Children's Hospital, the soon-to-be-completed Veterans Affairs hospital, and a town center with new retail and residential units known as 21 Fitzsimons. The creation of this new healthcare campus involves substantial investment of local, state and federal funding which has spurred private development of retail and residential units surrounding the campus and throughout the census tract. While positive changes are occurring within the census tract, the Citadel on Colfax has a unique opportunity to lead the revitalization east of Highway 225. Because of the potential economic impacts to the community, the City has offered local support to the project, fully understanding its mission to serve this underserved veteran population.

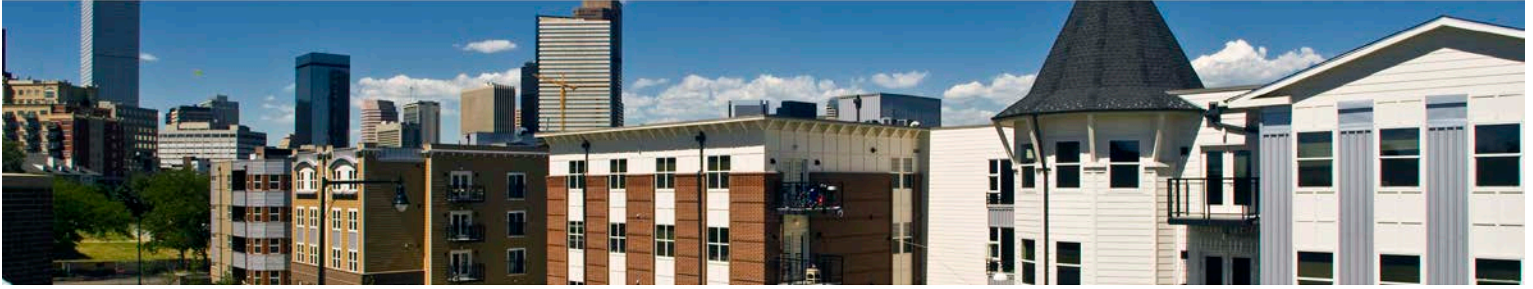
**5. Provide the following information as applicable:**



- a. **Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):** Not Applicable
  - b. **Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:** Not Applicable
6. **Address any issues raised by the market analyst in the market study submitted with your application:** The market analyst did not discover any issues or weaknesses with the proposed development.
7. **Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:** No RECs were identified. It was reported however, that Arapahoe County has radon levels greater than 4 pCi/L. A radon mitigation system has been incorporated into the building design and budget to 'reduce indoor radon levels.
8. **Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:** Humphries Poli Architects (HPA) and Milender White (MW) have been collaborating from the beginning to create an efficient design and reduce construction costs as much as possible. Despite incorporating a number of cost saving design elements such as unit stacking, construction costs per square foot are higher than typical due to Aurora's high tap fees and design requirements such as 80% of the building exterior needing to be composed of either brick or stucco and 35% of the parking must be covered with 17.5% of the covered parking being tucked under the building. To meet the City's requirements, the general contractor has included podium construction for the first floor in the budget, however, they are working with the City to determine if more affordable options such as steel framing with additional fire proofing will be allowed. The development team is also looking into more affordable exterior materials that meet the City's requirement and continue to look for additional cost savings within the budget and building design.
9. **In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):**

In the beginning of the project, the concept was vetted by respected veterans across the country. Additionally, it was discussed at length with the Department of Veteran Affairs, to include the former Secretary of the VA, Jim Nicholson, and other government leaders and elected officials. In addition to the support provided in letters (see attached letters from Senator Coffman, Arapahoe County, and the VA), this project has been shown to and vetted with respected veterans organizations from around Colorado to include members of the Veterans of Foreign Wars, American Legion, the United Veterans Committee, as well as to the staffs of both senators, most congressional offices and others. CDOH, Arapahoe County and the City of Aurora have all shown support via the attached letters of interest to provide subordinate financing for the project.

# 9% lihtc application narrative



**Project Name:** Cornell Senior Housing  
**Project Address:** 12251-12253 E. Cornell Avenue, Aurora, CO 80014-3374

## 1. Executive Summary

Cornell Senior Housing will provide 50 units of service-supported affordable housing for seniors age 62+ on a 1.67 acre infill TOD site located within the Nine Mile Station Urban Renewal Plan Area near I225 and Parker Road in Aurora. There will be 35 one- and 15 two-bedroom units. Income targeting includes 5 units at 30%; 11 at 40%; 19 at 50%, and 15 units at 60%.

The property will be owned and operated by Community Housing Development Association, Inc. (CHDA), a highly reputable local nonprofit housing organization. Twenty percent of the units will be set aside for residents with mental illness, substance use disorder, and/or developmental disabilities. These special needs residents will receive age-appropriate support services from CHDA's three Partner Agencies - Developmental Pathways, AllHealth Network, and Arapahoe House. Additional services and programs designed to support the independence, health, and well-being of residents will be provided by CHDA's Community Navigator working collaboratively with property management and a variety of community resource providers.

CHDA envisions creating modern, age-appropriate interior and exterior spaces intended to enhance the vitality, health and quality of life for its senior residents. Building improvements will consist of a free-standing, three-story interior hallway elevator building with a brick and stucco exterior with hardi-board accents, varied façade and flat roof on a concrete at-grade foundation. There will be 46 surface and 19 parking garage spaces (1.3 per unit). The site will be heavily landscaped. Planned common amenities will include:

- Onsite offices for property management and support services staff, and resident meeting spaces.
- Coffee bar and gathering space with tables and seating for resident social interaction.
- Lighted outdoor landscaped area including community garden, walkways, and outdoor seating.
- Flex space library/business center/theatre including resident-accessible computer, printer/scanner.
- Dog wash near covered parking.
- Outdoor deck on third level with shade structure and decorative two-way gas fireplace adjacent to flex-space Community Room.
- Interactive demonstration kitchen with stove, refrigerator, sink, and island adjacent to Community Room.

The project will be designed as a dense TOD Development that meets Enterprise Green Communities criteria. Green building items will include LED fixtures; E-Star Doors and Windows; flat/PVC membrane – solar ready Energy Star roof; wall insulation with R factor of 21; close-combustion heating; Formaldehyde-free products; smart irrigation system; recycling/composting; native/xeriscape plantings; and, 20% open space set aside.

The total development cost is estimated at \$13,671,469. Anticipated sources of funding include HOME funds from the City of Aurora - \$150,000, Arapahoe County - \$851,000, and Colorado Division of Housing - \$175,000; a \$330,545 Deferred Developer Fee; and a \$2,640,000 CHFA Risk Share permanent loan. An allocation of \$992,180 in LIHTC is requested, and will generate \$9,524,924 in investor equity with equity pricing at \$.96.

The 2017 LIHTC request reflects \$462,699 (\$9,254/unit) in increased construction and land holding costs, and

reduced LIHTC pricing of \$.16. Grant funds increased from \$900,000 (\$18,000/unit) in 2016 to \$1,176,000 (\$23,520/unit) 2017, with a \$47,545 increase in deferred developer fee. The Aurora Housing Authority will be the Special Limited Partner. Otherwise development plans have not changed in the past 12 months.

**2. Housing priority in Section 2 of the QAP the project qualifies for: N/A**

**3. Guiding principles - Section 2 of the Qualified Allocation Plan (QAP)**

**To support rental housing projects serving the lowest income tenants for the longest period of time.** 70% of the units will be restricted at or below 50% AMI, and 30% at 60% AMI. Income targeting includes 10% of units at 30%; 22% at 40%; 38% at 50%, and 30% of units at 60%. Long-term affordability will be ensured under a LURA with a 40-year restrictive use period, along with 30+ year income targeting and compliance requirements pertinent to City, County, and State Division of Housing HOME funding.

**To provide for distribution of housing credits across the state.** The project is located in the southern portion of the City of Aurora. Four 9% LIHTC projects have been awarded in north Aurora since 2010, including Westerly Creek I and II (2010 and 2013); Edge Point Apartments (2011); Paris Family Housing (2016). The Primary Market Area (PMA) for the subject has not had a new LIHTC development since 2005.

**To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit.** CHDA is an experienced nonprofit housing development organization with a strong track record of securing and utilizing public and private grants, tax credit equity, and debt resources for the successful development, ownership and management of quality, affordable service-supported rental housing for low-income and special needs populations. CHDA was last awarded a 9% LIHTC in 2012 for the acquisition and renovation of the 43-unit Canterbury Apartments located in Englewood.

**To distribute housing credits to assist a diversity of populations in need of affordable housing, including homeless persons, persons in need of supportive housing, senior citizens, and families.** The project will provide quality, affordable housing for seniors age 62+, with 20% of the units being set aside for seniors with special needs including developmental disabilities, mental illness, and/or substance use disorder. Age- and need-appropriate support services and programs intended to enhance residents' vitality, independence, and overall well-being will be made available to all residents. The project is consistent with the City of Aurora 2015-2019 Consolidated Plan that prioritizes increasing the supply of critically needed affordable housing opportunities for 9,085 severely cost burdened renter households which includes nearly 900 seniors.

**To provide opportunities for affordable housing within a half-mile walking distance of public transportation such as bus, rail, and light rail.** The project is 0.3 miles from RTD's existing Nine Mile Station, making the project a Transit Oriented Development (TOD). A RTD bus stop is 325 feet west of the property on Peoria Street, a minor, heavily trafficked north/south arterial in Aurora.

**To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those at risk of converting to market rate housing.** The project will create 50 new affordable units for seniors age 62+ on a viable TOD development site that is part of the Nine Mile Station Urban Redevelopment Plan Area. The site has become especially attractive as a prospective market rate housing development site due to its TOD zoning approval in 2016, and proximity to light rail and other community amenities, especially the soon to be revitalized Regatta Plaza. Redevelopment of this blighted shopping center site for mixed-use retail, office, and residential use has been a long-time vision of the City. Site development began in 2016 with the demolition of existing improvements. The Master Plan for the site was reviewed and approved by the Planning Commission in early May 2017. Construction is expected to start in early 2018 on a new, modern King Soopers which will be located directly across the street from the proposed Cornell Senior Housing project.

**To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low-income housing project throughout the credit period.** Financial feasibility and viability is facilitated by leveraging LIHTC equity with City, County, and State funding combined with permanent financing from CHFA. The LIHTC is expected to generate more than \$9.5 million in private investor equity. This leverages \$1,176,000 in HOME grant funds from the City of Aurora, Arapahoe County, and the Colorado Division of Housing, along with \$330,545 in deferred developer fees. Additional potential financial benefit may be realized by the prospective waiver of a portion of City plan and permit fees, along with City use taxes during construction which is facilitated via the Special Limited Partnership involvement of the Aurora Housing Authority. Combined equity, grant, and fee waivers result in a reasonable amount of long-term permanent debt which is supportable by the projected affordable rents and income targeting. The project will create an efficient building with large units, secured storage, functional and attractive common areas with limited wasted circulation space resulting in an efficient use of credits for a quality sponsor also delivering reputable, much needed services to an underserved senior population.

**To reserve credits for as many rental housing projects as possible while considering the Priorities and Criteria for Approval in the following sections.** The project meets all of the Section 2 QAP Guiding Principles, and closely aligns with the majority of the Section 2 QAP Priorities. The project is requesting less than \$1.0 million of tax credits (\$992,180 - \$19,844/unit), and is financially feasible even with the current reduced credit pricing in a costly construction environment.

**4. Describe how the project meets the criteria for approval in Section 2 of the QAP:**

**a. Market conditions:**

The May 2017 market study prepared by Prior & Associates concluded that the existing capture rate for all LIHTC projects in the PMA is 11.1%. Given the project's strong location and higher quality units, the overall capture rate with the project only increases 2.6% to 13.7%. Existing senior projects in the PMA were built in 2004 and 2005. These projects are fully occupied with significant waitlists. There are no new senior developments in the pipeline. Demand in the PMA is expected to grow by an additional 281 senior renters annually, a gain of 562 by time project comes online in 2019. This favorably impacts an already attractive capture rate. The PMA currently has no 30% units. The project will provide 10% of its units at 30% AMI.

The market study also concludes that the project's location is more desirable than its primary competitors. It is adjacent to a bus stop, supermarket and neighborhood shopping center, and within 0.5 miles of a convenience store and specialty grocer. Its marketability is most extensively enhanced by the subject's proximity to RTD's Nine Mile light rail station. The accessibility provided by the light rail service, coupled with the subject's proximity to shopping and services, enhances its marketability and will enable it to attract renters from outside the PMA. Overall, the subject's location is desirable for an apartment project targeted to seniors, slightly superior to most surveyed family LIHTC developments, and comparable to the surveyed senior LIHTC properties.

Additionally, the market study indicates that the project has no apparent weaknesses and identifies the following strengths:

- The surveyed senior LIHTC developments were 99.6% occupied, while family LIHTC properties were 100% occupied, and all projects maintained extensive waitlists, indicating substantial pent-up demand for low-income rental housing.
- The subject is 0.3 miles from RTD's existing Nine Mile Station, making the project a Transit Oriented Development (TOD). It is also 1.3 miles from RTD's recently completed Iliff Station, which will provide access to destinations throughout eastern Aurora and the Denver International Airport, enhancing the site's accessibility significantly.

- The site is adjacent to a bus stop and within walking distance to a supermarket, convenience store, specialty grocer and a neighborhood shopping center that is being redeveloped.
- The PMA is gaining 281 senior (62+) renter households per year and should gain 562 by the time the subject comes online.
- The subject's overall amenity package, including its in-unit features, project amenities, location and condition, have no starkly deficient attributes relative to market area apartments.
- The subject's slightly larger than average unit sizes, relative to its primary competitors, will enhance its marketability and enable it to compete effectively over the long-term.
- The subject is the only age- and income-restricted rental project in the pipeline.
- The PMA does not have any existing age-restricted 30% AMI units. By providing this unit type, the subject will cater to an underserved market.
- The subject is 50 feet from Regatta Plaza, a shopping center that is undergoing substantial redevelopment. It is proposed to include shops, restaurants, an urban park, office building, residential dwellings, and a new King Soopers with a pharmacy and fueling station. At build-out, the plaza will have a very positive impact on the subject.

**b. Readiness-to-proceed:**

CHDA acquired the development site in 2016. If a 2017 LIHTC allocation is awarded, the formal design and site planning process will be completed early first quarter 2018. Partnership and financing closings are targeted for completion first quarter 2018. Construction is expected to start April 2018 and be complete April 2019. The Project meets other Readiness to Proceed Thresholds as follows:

- In March 2016, CHDA successfully rezoned the development site to TOD-Transition which allows medium density multifamily residential development.
- The Phase I and II Environmental Audits indicate no environmental contamination or concerns.
- Preliminary schematic drawings completed in conjunction with the rezoning process are included in the application exhibits. Detailed site planning and building design will be finalized once funding is awarded.
- Development budget includes a current cost estimate from B.C. Builders, a third party General Contractor.

**c. Overall financial feasibility and viability:**

The financing structure provides strong assurance of long-term operation as a financially viable affordable housing project. The financing structure facilitates a beginning DSCR of 1.17 which increases to 1.29 in year 15. The deferred developer fee is will be paid from cash flow by year 9. Projected rents and operating expenses are based on experience with comparable properties, and considered conservative and achievable.

**d. Experience and track record of the development and management team:**

Resumes and/or statements of qualifications for the Development and Management Team are included in the application exhibits. A brief discussion of the entities' qualifications is presented below.

**COMMUNITY HOUSING DEVELOPMENT ASSOCIATION, INC. (CHDA) – SPONSOR/OWNER**

CHDA was formed in 1995 by three human service organizations to address the unmet need for affordable housing for modest wage earners in south metro Denver, including persons with developmental disabilities, mental illness and/or substance use disorder. CHDA's partner organizations - AllHealth Network, Arapahoe House, and Developmental Pathways provide programs and services to support their clients' success in living independently in an integrated housing environment. They also work collaboratively with CHDA's Community Navigator and property management staff to provide services and programs for other CHDA residents.

CHDA's current housing portfolio consists of 204 studio, one-, two- and three-bedroom units in five properties located in Littleton, Englewood, and Aurora. Four of the five properties were acquisition/rehab, one was new construction. Four of five were financed using 9% LIHTC, HOME/CDBG, FHLBank AHP, and private debt for

financing. One is fully grant funded with County and State HOME funds, and an FHLBank AHP grant. Additional funding has been provided to all CHDA properties by the Arapahoe County Weatherization Office, Governor's Energy Office, and Xcel Energy. A new 4%/CHFA HUD Risk share construction/permanent loan was put in place in 2016 to accomplish significant project renovations and updating, and provide long-term favorable permanent financing for CHDA's 80-unit Willow Street Residences.

CHDA properties are professionally managed by Silva-Markham Partners, and have maintained near 100% occupancy for the past three+ years. The demographics of residents in CHDA properties includes families with children, adults, and seniors. CHDA properties are not age restricted, however, current demographics include 39% seniors age 55+. The income of residents include 48% at or below 30% AMI; 40% at 50% AMI, and 12% at 60% AMI. Thirty-four percent of residents have Special Needs – half of which are clients of CHDA's three partner agencies.

Residents in CHDA's existing properties receive active support from CHDA's Community Navigator for access to various community resources and services intended to enhance their quality of life. This includes food banks and community gardens; monthly and holiday food boxes; onsite cooking classes; RTD bus passes; back packs for school age children; rent and utility assistance; financial literacy; various Federal benefits; resident socials; personal safety training; along with other individual and community health and wellness resources.

Age-related services available to Cornell senior residents will include AllHealth's Older Adult Services designed to assist seniors face the physical, social and environmental challenges associated with advancing age. Developmental Pathways' programs for seniors work to keep people active in home and community based services, regardless of age. Pathways' Continuum of Colorado Seniors' Choice Day Activity Services – a program dedicated to providing a safe and supportive environment with trained and caring staff for those needing day time activities will be available to all Cornell residents. Additionally, CHDA's Community Navigator and property management staff will coordinate provision of a variety of onsite programs and services to encourage Cornell residents' active participation in community, social, health, and wellness activities and programs.

#### **SOLVERA AFFORDABLE HOUSING ADVISORS – DEVELOPER/FINANCIAL CONSULTANT**

Solvera Advisors is a developer and financial consultant offering a broad spectrum of services to the affordable housing community, ranging from turnkey development of new housing projects to restructuring, refinancing and preservation of existing communities. Solvera tailors the scope of its services to meet the needs of their clients, which range from large owner/developers to small, community-based organizations, with a special emphasis on Housing Authorities and the non-profit community.

Solvera will function as the developer, with the oversight and input of CHDA. Solvera will be responsible for directing design, development, construction, and financing of the project. Including the development history of MGL Partners, an affiliated development company, Solvera and its principals have financed and developed more than 2,000 new construction, market rate and affordable units at a total cost in excess of \$428 million.

Solvera Advisors will also serve as the financial consultant for the project. Solvera and its principals have extensive history of financing affordable housing development. They have a track record in structuring, managing, and closing project specific plans of finance with various resources including private activity bonds, public and private debt placements, limited partner tax credit equity financing, fixed and floating rate debt structures. They also have extensive experience with HUD HOME, Community Development Block Grant (CDBG), as well as numerous other customized financing programs tailored to the needs of individual projects.

#### **SILVA-MARKHAM PARTNERS - PROPERTY MANAGEMENT**

Silva-Markham Partners is a seasoned property management company, with team members who have a collective 100 years of experience in the property management industry, specializing in Tax Credit, Affordable,



HUD, Section 8, and Conventional properties. Staff professionals add additional expertise in the areas of multi-site lease-ups, rehab, takeovers, repositioning, Tax Credit Compliance as well as accounting, human resources and administration. Silva-Markham Partners manages all of CHDA's properties.

**J. WILLIAM CALLISON, ESQ - FAEGRE BAKER DANIELS**

"Bill" Callison will serve as legal counsel to CHDA for the LIHTC partnership structuring and documentation. Bill has provided legal counsel on all previous CHDA housing development projects. He is a nationally recognized affordable housing and tax expert, and has been highly instrumental in the formation and evolution of the LIHTC program, and other legislation and implementation of programs that support the development, ownership, and management of affordable housing.

**HAYNIE & COMPANY PC - TAX ACCOUNTANT**

Feldhake & Associates have served as CHDA's accountant providing audit and tax advice since 2000. In 2015, Feldhake sold their practice to Haynie & Company PC. Jim Feldhake and Lori Morris, CHDA's primary auditors remained with Haynie and still function as CHDA's auditors. Now adding to Feldhake's 40+ years working with affordable housing properties and developers, Haynie & Company has been working with entities that develop affordable housing since the early 1970s. They serve a number of clients who develop affordable housing utilizing LIHTCs. They currently serve a substantial number of LIHTC projects and for-profit and not-for-profit organizations that have filing requirements with HUD or CHFA.

**B.C. BUILDERS - GENERAL CONTRACTOR**

B.C Builders is expected to serve as the General Contractor. B.C. Builders, LLC is a general contractor and developer specializing in multifamily wood frame construction and renovation. The company is led by a group of managers who have a long and established reputation for extremely high quality, affordable multifamily construction in the Front Range area of Colorado. At the core of B.C. Builders, LLC's philosophy is the concept of value engineering. This is evident in each phase of design, where B.C. Builders, LLC has established development processes and consultation practices that consistently deliver proven results.

B.C. Builders, LLC has a bonding capacity of \$50 MM and currently has approximately \$43 MM in its active pipeline. Since 2004, B.C. Builders has been one of the most active and reputable general contractors in the multifamily commercial construction market for both affordable and market rate apartment projects built in the Denver Metro area as well as along the Front Range.

**e. Cost reasonableness:**

CHDA acquired the land for \$675,000, which equates to \$13,500/unit for a well-located TOD site with zoning in place. With holding costs, the all-in budgeted land cost is \$783,700 or \$15,674/unit. Comparable TOD sites with zoning in place range in value from \$17,000 to \$40,000 or more depending upon the municipality, infrastructure, parking and/other development requirements.

New construction development in the City of Aurora is particularly expensive due to two primary factors - City of Aurora tap/impact fees and covered parking requirements, both of which pose significant cost constraints on new multifamily development in Aurora. The total development budget for Cornell Senior Housing is projected at \$13.7 million or approximately \$274,000 per unit. This is inclusive of approximately \$21,000 per unit of tap and impact fees paid to the City of Aurora. The budgeted hard cost for the project is \$7.2 million or \$144,000/unit which includes an attached, covered parking structure. The building design and cost budget is particularly efficient due to the high quality design and full complement of amenities included in the hard cost budget.

CHDA is requesting a total of \$992,180 (\$19,844/unit) of credits for 50 units of high quality, new construction senior housing in an ideally located TOD urban redevelopment area in the high cost to develop municipality of

Aurora. In order to minimize the amount of credit requested, CHDA is leveraging \$1.17 million of grant funding, deferring developer fees, and also providing a real estate tax exemption via partnership with the Aurora Housing Authority.

**f. Proximity to existing tax credit developments:**

There are no existing 9% LIHTC projects in the 80114 zip code. The market study indicates that the PMA has 19 LIHTC projects containing 2,045 income-restricted units. Many of these utilized 4%/PAB financing. Three of the nineteen projects are age-restricted with 120 deeply-subsidized units and 235 LIHTC dwellings. Sixteen are non-age-restricted properties that have 1,690 dwellings. The subject will compete directly with 235 of the tax credit units that are comparable in terms of age restrictions and target market. CHFA confirmed there is one project within the PMA that received a tax credit allocation in the past two years that has not been placed in service. However, this replaced units already on the same site, so there were no additional units added to the market. Both non-subsidized age-restricted LIHTC properties were surveyed, as well as three family LIHTC projects within the PMA.

The PMA has not seen any new senior affordable development since 2005, and there are no age-restricted 30% units in the PMA. The project will serve a market already gaining 281 qualified, senior renters per year, and with 20% of the units set aside for special needs (services provided onsite). The TOD location will be a particularly valuable to option seniors in this PMA that require very low income units.

**g. Site suitability:**

The project site is within the boundaries defined as “blighted” by the Nine Mile Station Area Urban Renewal Plan adopted by the Aurora City Council initially in 2009 and updated in 2013. The principal public purpose of the Urban Renewal Plan is to facilitate redevelopment in order to reduce, eliminate, and prevent the spread of blight within the Urban Renewal Area. The Cornell Senior Housing project is consistent with the objectives the Urban Renewal Plan as it will utilize private and public resources in cooperation with the City to create new affordable senior housing units that are financially viable on a long-vacant blighted parcel located within the boundaries of the Nine Mile Station Area Urban Renewal Plan.

The creation of new affordable rental housing units for seniors on this TOD-transition zoned site is also consistent with the City’s 2009 Comprehensive Plan in that it both promotes implementation of the TOD zoning district, and proposes to provide housing programs for a full range of Aurora residents to live in close proximity to rail transit.

The 1.67 acre flag-shaped development site is vacant, gently sloped, and vegetated with native grasses. The site provides adequate space for the proposed multifamily senior apartment development which is allowed by the existing TOD–Transition zoning. The site is located in the Dam East-West neighborhood area, which is a low- to moderate-income, mixed residential and commercial community that was developed in the 1970s and 1980s. Property uses immediately adjacent to the site include single-family residences on the north; a day care and office condominiums on the east; bank and dental medical offices on the west, and the blighted Regatta Plaza Shopping Center across Cornell Avenue to the South. The site has convenient access to nearby transportation, shopping, health care, employment, and recreational opportunities.

**5. Provide the following information as applicable:**

- a. Justification for waiver of any underwriting criteria: N/A
- b. Justification of CHFA’s DDA credit up to 130 percent of qualified basis: N/A

**6. Market Study:**

The May 2017 Market Study prepared by Prior indicates that the project has no apparent weaknesses.

## **7. Environmental:**

There were no environmental concerns or needed mitigation identified by the Phase I and Phase II environmental audits.

## **8. Cost Containment Opportunities:**

CHDA will execute a Guarantee Maximum Price contract with the General Contractor for the project. Construction progress, including adherence to budgeted costs will be closely monitored throughout construction by CHDA, Solvera, the architect, and the construction lender's inspection staff. At \$144,000 per unit in hard costs, the project is designed efficiently and can be constructed at a competitive cost.

## **9. Community Outreach and local support:**

Extensive local outreach and community input was accomplished in conjunction with the rezoning process. Numerous large and small meetings with elected officials, City staff, residents and business owners were held between October 2015 and the March 2016 City Council approval of the TOD rezoning. City staff remained actively involved in pre-zoning activities, including attendance at community meetings, and in fielding community input. City planning staff recommended approval of the TOD rezoning based on its consistency with the Nine Mile Station Area Plan and 2009 Comprehensive Plan. Subsequent additional updated contact with elected officials and city leadership has been made in anticipation of submission of this LIHTC application.

Largely in response to the City's Consolidated Plan priority for affordable family housing, initial plans presented to the community in 2015 were to develop family housing. These plans were met with strong community opposition, largely because of the affordable use. Other concerns included site congestion, traffic, parking, criminal behavior, noise, privacy, school overcrowding, poor property management and maintenance, and low-income and special needs residents.

Consistently from the very first community meeting there was a strong preference for senior housing. CHDA revised the proposed use to seniors age 62+ specifically in response to community input. Several design revisions were made to accommodate extensive community input. These included added parking in excess of TOD requirements; building design modifications to insure privacy for residents and neighbors; reducing the bedroom and unit count; condensing the building footprint; moving the building as far away from existing residences as possible; building a brick privacy fence adjacent to single-family residences, and a rod iron fence adjacent to neighboring businesses to accommodate limited onsite shared parking for adjacent dental office.

A "Good Neighbor Agreement" (GNA) was created to evidence CHDA's good faith intention to develop the site for senior housing once the rezoning was approved. In the GNA, CHDA agreed to make at least two LIHTC applications for a senior use. The GNA evidences community support for CHDA's senior housing LIHTC application(s). Copies of the signed GNA's are included in the application exhibits.

## **10. Acquisition/rehab: N/A**

### **Project Support/Additional Information**

Following below is a list of attachments evidencing local support and intended grant funding:

- Aurora Housing Authority Special Limited Partner Approval
- City of Aurora letter of support.
- Aurora City Council meeting minutes - TOD-Transition Rezoning Approval.
- Arapahoe County Housing and Community Development – HOME funding.
- State of Colorado Division of Housing – HOME/CDBG funding.
- City of Aurora Community Development (Consolidated Plan Consistency and HOME funding).
- Support services letters from Arapahoe House, AllHealth Network, and Developmental Pathways.
- Signed Good Neighbor Agreements from numerous adjacent residents and businesses.

**Additional Supporting Information:**

- Tax Credit Request Comparison 2016 - 2017

# 9% lihtc application narrative



Project Name: Crossing Pointe (Phase 1 – Senior Building)

Project Address: 4220 E. 104<sup>th</sup> Avenue  
Thornton, CO 80233

## Executive Summary

Crossing Pointe is Adams County Housing Authority’s (ACHA) multigenerational new construction housing development planned in Thornton, Colorado. When fully built out, there will be 206 units of affordable housing serving a wide-range of persons from young children to seniors with household incomes ranging from at or below 30% of the Area Median Income up to 60% AMI. Crossing Pointe will be developed in two phases with the 64-unit senior building (this application) as the first phase and 142 family units as the second phase. This catalytic Transit Oriented Development is part of Thornton’s Crossroads Station Area Master Plan and is identified as an “Opportunity Site” for providing critical affordable housing for residents of the area. Through the use of its project-based vouchers, ACHA will be able to provide 16 units for very low-income seniors earning at or below 40% of AMI. This first phase will also have 33 units for seniors at 50% AMI and 15 units for seniors with incomes at or below 60% of AMI.

Phase 1 Bedroom Unit Mix & AMI Mix						
	Average SF	# of Units	30% AMI with PBV	40% AMI with PBV	50% AMI	60% AMI
1 Bed/1Bath	622 sf	50	5	7	27	11
2 Bed/1 Bath	933 sf	14	2	2	6	4
Total Units		64	7	9	33	15

The site at the southeast corner of E. 104th Avenue and Colorado Blvd. in Thornton provides excellent access to natural outdoor amenities, social and health services, recreational facilities, shopping, transportation and educational institutions. Crossing Pointe is adjacent to open space and hard surface trails on two sides. It is within a 5-10 minute walk of many retail options, a 6 minute walk to the Thornton Crossroads Station, and a 3 minute walk to the local bus stop. The location is a 25 minute commuter train ride from Union Station and a 35 minute bus ride from DIA, which are two major job centers.

Taking advantage of amazing natural features of the site, Crossing Pointe will incorporate outdoor community space that overlooks the Grandview Open Space. Other project amenities include structured and surface off-street parking, on-site laundry rooms, raised garden beds, outdoor patio, community room with kitchen, computer stations, multipurpose room (e.g. for crafts and exercise), on-site management, access to resident services, and building security system. All units will have the following: private outdoor balcony or deck, refrigerator, stove, dishwasher and microwave, and individual heating/cooling unit with controls.

Energy efficiency and healthy living measures will include Energy Star rated appliances, energy efficient Aqua-therm heating/cooling units, programmable thermostats, Low-flow shower heads and faucets, Low Volatile Organic Compound (VOC) paint, photovoltaic ready, high performance windows, increased wall and roof insulation, shading, energy efficient lighting, smoke-free living environment, compact development (density of 41 dwelling units/acre), and walkable neighborhood.

Crossing Pointe Phase 1 will consist of one freestanding four-story, elevator building, with fiber-cement panel, brick, ribbed metal, and stucco accents on the exterior. It is four floors of wood framing on a concrete podium. The building has staggered setbacks, balconies, varied elevations, and a flat roof. Units will have private entrances located along double-loaded interior hallways. Construction will include completion of interior roads of the northern portion of the site, water detention, exterior common area amenities, and parking (43 structured underground spaces / 33 surface spaces).

Crossing Pointe will provide a part-time staff person from ACHA's Community Services department. This staff person (salary included in operating proforma) will serve as a service navigator to assist seniors at Crossing Pointe with understanding and accessing local resources. They will also coordinate events with our partners – Tri-County Health, Senior Hub, Innovage PACE, and Thornton Senior Center. The service navigator will enhance residents' living experience by minimizing barriers to aging in place.

The project will use equity from the Federal 9% LIHTC, HOME funding from the City, County and State, CDBG funding from the City, owner equity and both permanent and construction loans. The project further leverages local funds (\$1,200,000) provided by the City of Thornton. This goodwill gesture from the City is being offered to spur this catalytic project now. These incentives are set to expire after 2018 if not utilized. ACHA will defer 32% of the developer fee on a 13-year pay back schedule to assist in funding a financing gap on the project. ACHA purchased the land for \$910,000 and will contribute a 2-acre portion of the land to the partnership in the form of a land lease. Several lending institutions and syndicators have expressed interest, and ACHA anticipates using a CHFA Risk-Share loan.

Crossing Pointe is uniquely competitive and funding is urgently needed for the following reasons:

1. **Critical need for Senior Housing** – It is widely known that there is a growing need for affordable senior housing in the Denver Metro area, and Thornton is no exception. In fact, this area is in even more need of senior housing given that there are no LIHTC affordable housing developments for seniors in the project's PMA and there are only eight units serving seniors at or below 30% in all of Thornton. According to Thornton's Housing Needs Assessment, 75% of renters 65+ are rent burdened and 509 are below the poverty line.
2. **Incorporated CHFA feedback** – ACHA heard CHFA's concern about the project size and level of affordability. Hence, the project is broken into two phases which will make each phase more feasible financially and allow for deeper affordability.
3. **Shovel ready** – The site received its Planned Development zoning in April of 2016. Our design team is 80% into Construction Documents and is on its 3<sup>rd</sup> round of comments for Development Permits. Milender White, the General Contractor, has bid the project in order to get the most accurate cost estimate. They have also been active in reviewing constructability and value engineering opportunities throughout the predevelopment process.



4. **Local support for affordable units and location** -While projects in a QCT are typically given priority, the City of Thornton’s goal (as stated in its 2014 Housing Needs Assessment) is to locate affordable multifamily housing units “in areas where there is not an existing concentration of low-income housing.” The City of Thornton is excited for this location because they consider it an area of opportunity for affordable housing. To show its support, the City Council has committed to provide \$1.2M in development incentives with the condition that phase 1 is constructed in 2018. This is in addition to the \$220,000 in HOME and CDBG they awarded to the project in 2016.
5. **Owner leveraged monies** - ACHA has made significant financial commitments to the project with over \$1,080,000 in predevelopment costs invested to date. ACHA will also carry the \$910,000 cost of the land and lease it to the project for a nominal amount.

### **Guiding Principles**

- **To support rental housing projects serving the lowest income tenants for the longest period of time:** ACHA commits to maintain 100% of the units at 60% AMI or less, including 16 project-based voucher units serving those at or below 40% AMI. These units will remain affordable for at least 40 years.
- **To support projects in a QCT:** While Crossing Pointe is not in a QCT, its location meets Thornton’s goal of deconcentrating poverty. It also shows ACHA’s commitment to providing low-income families an opportunity to live in more affluent neighborhoods, which is consistent with the latest ruling of Affirmatively Furthering Fair Housing.
- **To provide for distribution of housing credits across the state:** The City of Thornton is in Adams County, part of the northern portion of the Denver Metro Region in Colorado. Thornton has only received 3 competitive LIHTC allocations. It has been over 12 years since this PMA has received a competitive tax credit allocation.
- **To provide opportunities to a variety of qualified sponsors:** ACHA, as a quasi-governmental Housing Authority, is a reputable housing provider. ACHA is a long-term owner and operator with a strong presence in the local community for over 40 years. ACHA currently owns and manages 1,456 units.
- **To distribute housing credits to assist a diversity of populations in need of affordable housing:** Crossing Pointe will serve independent elderly families. This provides a welcoming environment for grandparents raising children. There are no other affordable senior housing developments in the PMA, and only two in all of Thornton.
- **To provide opportunities for affordable housing within a half-mile walk of public transportation:** Crossing Pointe is approximately a quarter mile walk to the future Thornton Crossroads station (currently under construction and due to open in 2018). It is less than a quarter-mile walk to several main bus routes, including RTD’s AA route that connects the site to Denver International Airport.

- **To support new construction of affordable rental housing projects:** Crossing Pointe will consist of 64 units of new affordable rental housing. This innovative, compact, amenity rich project will offer a unique housing option for Thornton seniors.
- **To reserve only the amount of credit that CHFA determines is necessary for the financial feasibility of a project:** ACHA's development team has worked hard to keep the tax credit request to a minimum. They have leveraged over \$3M in soft funds through the use of HOME, CDBG, FHLB of Topeka, and incentives from the City of Thornton (\$1.2M of which will expire at the end of 2018). ACHA is also contributing \$1.5M to the project through deferred developer fee, owner equity, and a land contribution.

### **Criteria for Approval**

a. **Market conditions:**

There is an extreme shortage of senior affordable housing in Thornton. There are no existing senior tax credit properties in the PMA. Crossing Pointe would result in an overall capture rate of 16.4%, including 23.4% and 9.9% at 50% and 60% AMI, respectively. Crossing Pointe's rents are 27%-40% below Class B market-rate rents in the PMA. Thornton's most recent senior tax credit property, though not in the PMA, was completed in 2014 and is currently 100% leased. The PMA's projected annual growth of 104 senior (62+) renter households and lack of income-restricted units in the development pipeline suggests that demand will only increase.

b. **Readiness-to-proceed:**

The Crossing Pointe received its Planned Development zoning in April of 2016. Both a Phase 1 ESA and a HUD Environmental Review have been completed for the site and did not report any significant findings. ACHA anticipates that Development Permits and Construction Documents will be completed within 2 months after receiving a tax credit allocation. To date the project has accrued over \$1,080,000 in predevelopment costs; the majority of which were design fees to advance entitlement approvals by the City. With strong interest from lenders and investors along with strong support from local municipalities (See Appendix B: Local Support), ACHA anticipates closing in the first quarter of 2018 and should easily make carryover within 13 months of receipt of an allocation.

c. **Overall financial feasibility and viability:**

The development team has worked the State, Adams County, and the City of Thornton over the past two years to understand the availability of HOME, CDBG, and other funds (See Appendix B: Local Support). The City of Thornton is making a significant contribution in the form of \$1.2m incentive package with the details to be worked out once the project receives a LIHTC reservation. These incentives might include fee rebates, additional HOME/CDBG funds, and general funds. This is in addition to the \$120,000 HOME and \$100,000 CDBG funds the City of Thornton awarded to the project in 2016. Several investors have expressed interest in the project and forecasted \$0.95 per credit. While a number of lenders have expressed interest, ACHA anticipates using CHFA's Risk Share loan with a quoted rate of 5%.

The team has carefully scrutinized the development budget and operations budget. The General Contractor solicited subcontractor bids for the project in May, so the hard costs

reflect the current market and should not change significantly before reaching a final GMP. The operating costs that result in a \$5,588 PUPA includes all residential utilities and 2.25 FTE (one leasing agent, one maintenance staff, and a quarter time community service staff person). According to a Group 14 energy review of 80% CDs, residential unit electricity and gas is expected to be around \$37,500 per year (which accounts for \$585 of the overall PUPA). The current financial model indicates a 1.16 DCR in the first year and a 1.25 DCR in year 15, with the Deferred Developer Fee paid back within 13 years.

**d. Experience and track record of the development and management team:**

ACHA has over a 40 year history of providing a wide range of affordable housing options to the residents of Adams County and will serve as Developer, Owner and Property Manager. The Housing Authority owns and solely operates 1,456 units of affordable housing and is in partnership with the private and public sectors for an additional 1,128 units. ACHA has extensive experience with management and compliance of LIHTC properties in Adams County, including compliance for other soft funding sources, with 9 out of 11 properties requiring one kind of compliance or another.

ACHA has recently been a part of two non-competitive acquisition/rehab projects (Village of Yorkshire and Aztec Villa) and one competitive new-construction project (Alto). All three were or are currently on track to deliver LIHTC units as scheduled. For Crossing Pointe, ACHA has put together another strong team with extensive multifamily experience (see Attachment D: Development Team Resumes). Van Meter Williams and Pollack (VMWP), the project architect and Milender White, the General Contractor have been procured for predevelopment services. Along with extensive multifamily experience, VMWP has successfully designed over 200 LIHTC projects nationwide and Milender White has built 23 LIHTC projects in Colorado. During the past two years, the team effectively worked with the City of Thornton to rezone the site.

**e. Cost reasonableness:**

The construction costs are based on bids the GC received on 80% Construction Documents in May of 2017. Given Milender White's recent experience of constructing similar buildings in the Denver Metro region and the thorough review by the development team, the estimate is considered reasonable for this construction type. Site work and infrastructure costs are high due to building in suburban context. The City of Thornton will provide incentives, in the form of permit fee and use tax rebates along with other financial incentives, to offset some of the higher costs. The design balances these higher costs without sacrificing quality to ensure that the scarce tax credit resources are not wasted, but invested wisely.

**f. Proximity to existing tax credit developments:**

While the Market Study indicates there are ten existing LIHTC projects in the PMA, not a single project is age restricted. Of the ten LIHTC projects, six are acquisition/rehab projects and four are competitive tax credit projects. 241 units are deeply subsidized. No other LIHTC projects are currently in development in the PMA. The last competitive senior LIHTC project in Thornton was Innovage which was completed in 2014 and is fully leased. Thornton's Housing Needs Assessment indicates that there is still a significant shortage of affordable rental housing and this is reflected in 0% vacancy rates and long waiting lists for the LIHTC developments in the PMA.

**g. Site suitability:**

Crossing Pointe's location is central to many services, amenities and employment opportunities for our future residents. In addition, the development is on a collector street (E. 104<sup>th</sup>) and near Colorado Blvd. (a 4-lane arterial) both with moderate to high volume traffic promoting good visibility for marketing. The site is currently vacant land owned by the applicant, Adams County Housing Authority. There is a recreation center .5 mile north of the site and the Grandview Ponds Open Space that borders the site on two sides will provide outdoor recreational opportunities. Within walking distance are a full-size grocery store, two banks, two pharmacies, and several restaurants. The nearest hospital is 3 miles southwest from the site. Crossing Pointe is also less than a quarter mile from the new commuter rail station that will provide access to downtown. And RTD's AA bus route, that provides access to DIA, has a stop at 104<sup>th</sup> & Colorado.

**Justification for waiver of any underwriting criteria:**

Crossing Pointe can meet all of CHFA's minimum underwriting criteria and does not require any waivers.

**Market Study Issues:**

An issue raised by the 104<sup>th</sup> & Colorado market study was unit size. According to the current market study ACHA's one and two-bedroom units are smaller than overall surveyed weighted averages in the PMA. This new build is consistent with current trends where average unit sizes are shrinking as common area amenities are increasing. The slightly smaller units are offset by the fact that current design standards provide much better efficiency and each unit has a balcony or patio, providing enhanced outdoor private living space for each resident. In addition, there will be ample indoor and outdoor community space for all residents.

**Environment Report Issues:**

The updated Phase I report did not identify any Recognized Environmental Conditions. Additional investigation is not needed at this time.

**Cost Issues and Containment Opportunities:**

Thornton is requiring a median in 104<sup>th</sup> Ave. and a signalized intersection where the access drive meets Colorado Blvd. Thornton also has costly water and sewer tap fees. Fortunately, the City of Thornton realizes this and is working with ACHA to mitigate these costs by 1) allowing the project to tie into a regional detention pond and 2) providing additional financial incentives of over \$1.2M.

Also, from the beginning Crossing Pointe was designed as one project but due to recent changes in the market, it will be developed in two phases. This leads to some inefficiencies for site work and infrastructure that result in higher than usual costs for phase 1. To mitigate these higher costs, ACHA will eliminate any land cost by leasing the land to the project for a nominal amount.

**Community Outreach:**

Local support from the City of Thornton has been very positive. The City Council and Neighborhood Services department is enthusiastic about a mixed population development that serves low income households. The City awarded Crossing Pointe \$100,000 in CDBG funds and \$120,000 in HOME funds from 2016. The City has agreed to an additional \$1.2m in incentives

that could be comprised of fee rebates, additional HOME and/or CDBG funds, and/or other sources yet to be determined (see Support letter from City of Thornton).

Adams County has been supportive of Crossing Pointe, recognizing that the project is a strong response to its 2015-2019 Consolidated Plan which states that new construction of affordable rental units is a goal for reducing the gap in rental units for households at or below 60% AMI. See letter of Support from the Adams County Manager.

A partnership for the project with Tri-County Health Department has been very fruitful with collaborative meetings about healthy living features to be incorporated into the design above and beyond the Enterprise Green Communities. Tri-County has been very supportive of Crossing Pointe and its presence in the community, which is consistent with their mission of promoting public health for the citizens of Adams County. Several other senior service providers, such as the Thornton Senior Center, Innovage PACE, and Senior Hub, are eager to see Crossing Pointe happen. They are enthusiastic for the opportunity to offer programs and events on site once phase 1 is built. See all the partners' letter of support in Attachment B.

**Attachment A: Crossing Pointe Context Maps.pdf**

These are additional maps showing Crossing Pointe in context of the following:

- RTD's North Metro Rail line
- Opportunity Site C in Thornton's Crossroads Station Area Master Plan
- Neighborhood Amenities in the vicinity

**Attachment B: Crossing Pointe Evidence Soft Funding and Support.pdf**

These are letters from various municipalities and non-profits that support Crossing Pointe:

- Letter of Support from DOLA – DOH
- Letter of Support from Adams County
- Letter of Support from the City of Thornton
- Letter of Support from Adams County Housing Authority for PBV's
- Letter of Support from Tri-County Health
- Letter of Support from Thornton Active Adult Center
- Letter of Support from InnovAge

**Attachment C: Thornton Crossroads Station Area Master Plan**

Thornton adopted the Crossroads Station Area Master Plan in 2014. Crossing Pointe is within Opportunity Site C that calls for high density and walkable residential housing. The Station Area Master Plan can be found on the City of Thornton's website at the following link:

<https://www.cityofthornton.net/government/citydevelopment/planning/Pages/104th-avenue.aspx> (visited May 31, 2017)

# pab lihtc application narrative



Project Name: **DMA Plaza**

Project Address: **300 Remington St., Fort Collins, CO 80524**

## Executive Summary

**Project Description:** DMA Plaza Apartments is an existing 11-story, 126-unit apartment building that was built in 1973/1974 by the Fort Collins Downtown Merchants' Association (DMA) to provide affordable housing for the merchants' employees when they retired. DMA Apartments has successfully managed the property as a HUD 236 for 40 years. DMA proposes to do a major renovation of the property.

**Type of Construction:** Poured concrete foundation and slab on grade; reinforced concrete and steel composite frame; poured in place structural reinforced 6" concrete slab for each floor; curtain wall exterior, with non bearing panels containing asbestos and very low R value; roof is membrane type. All common and living spaces are fire sprinkled; building is served by 2 elevators; Concrete stairways at each end of building.

**Population Served:** The project will serve seniors ages 62 and over.

#	9%	4%	Type	AMI	SF	Rent	U.A.	Inc %
17	6	11	Studio	30%	418	\$ 375	\$ -	27.9%
16	6	10	Studio	40%	418	\$ 375	\$ -	27.9%
16	6	10	Studio	50%	418	\$ 375	\$ -	27.9%
32	10	22	StudioS8	60%	418	\$ 662	\$ -	49.2%
8	3	5	1 Bd 1 Ba	30%	484	\$ 420	\$ -	29.2%
13	5	8	1 Bd 1 Ba	40%	484	\$ 420	\$ -	29.2%
12	4	8	1 Bd 1 Ba	50%	484	\$ 420	\$ -	29.2%
10	4	6	1 Bd 1 BaS8*	60%	484	\$ 818	\$ -	56.8%
124	44	80	* Tenant Based Section 8 Voucher household					

**Location:** Fort Collins Downtown

**Amenities:** Energy Star appliances, AC, Community Room, fitness room, wireless internet, & outdoor gardens

**Services:** DMA Plaza Apartments has hired a social/service coordinator to coordinate activities and assist residents to access a full range of community service

**Description of energy efficiencies:** energy-conserving appliances, new large operable (low heat gain) windows, drapes and blinds, replacement of exterior building system with a more insulating product, new baseboard heaters and controls in the bedrooms, water conserving fixtures, new HVAC to the units

**Type of financing;** 4% and 9% tax credit equity, conventional and PAB Debt, City of Fort Collins and Colorado Division of Housing Grants, Tenant Based Section and applicant contribution of the \$7,900,000 value of land and building



**Changes since previous application:** Construction Cost increase of about 2.5% and equity price decrease of about 10%; scope of renovation is unchanged.



This Narrative for the 4% application is the same as the 9% Application Narrative for the following sections:

- **Project Description**
- **Renovation Construction**
- **Population Being Served**
- **Location**
- **Amenities Unit Amenities**
- **Interior Common Amenities and Building Systems**
- **Exterior Common Amenities (same as 9% narrative)**
- **Services**
- **Energy Efficiencies**

### **Financing**

The extensively renovated DMA Plaza Apartments will be owned by two yet-to-be formed LLLP's, both of which will have DMA Plaza, Inc. or a related entity as general partner. The renovation will involve two separate partnerships because both 4% low income housing tax credits with tax exempt mortgage bond financing and 9% tax credit with conventional mortgage financing are being utilized.

## Bond Financing Structure

- a. Total amount of bonds with a breakout of construction period bonds vs. permanent bonds.  
Construction Period Bonds = \$10,183,000  
Permanent Period Bonds = \$1,500,000
  
- b. Bond issuer (please specify whether you are seeking a CHFA bond-financed loan, a CHFA conduit bond issue only, or bonds from another municipal source).  
We are seeking a CHFA conduit bond issue.
  
- c. Lender and bond sale structure (public sale/ private placement, takeout, securitization, etc.).  
Private placement through Firstbank.
  
- d. Portion of bonds that will be tax-exempt (i.e., will the bonds have a “taxable tail”), if applicable.  
100% of the bonds will be tax exempt with no taxable tail. The bond need is sized at 55% of Aggregate Basis.

# 9% lihtc application narrative



Project Name: **DMA Plaza**

Project Address: **300 Remington St., Fort Collins, CO 80524**

## Executive Summary

**Project Description:** DMA Plaza Apartments is an existing 11-story, 126-unit apartment building that was built in 1973/1974 by the Fort Collins Downtown Merchants' Association (DMA) to provide affordable housing for the merchants' employees when they retired. DMA Apartments has successfully managed the property as a HUD 236 for 40 years. DMA proposes to do a major renovation of the property, but does not intend to increase rent for the very low income current and future residents

**Type of Construction:** Poured concrete foundation and slab on grade; reinforced concrete and steel composite frame; poured in place structural reinforced 6" concrete slab for each floor; curtain wall exterior, with non bearing panels containing asbestos and very low R value; roof is membrane type. All common and living spaces are fire sprinkled; building is served by 2 elevators; Concrete stairways at each end of building.

**Population Served:** The project will serve seniors ages 62 and over.

#	9%	4%	Type	AMI	SF	Rent	U.A.	Inc %
17	6	11	Studio	30%	418	\$ 375	\$ -	27.9%
16	6	10	Studio	40%	418	\$ 375	\$ -	27.9%
16	6	10	Studio	50%	418	\$ 375	\$ -	27.9%
32	10	22	StudioS8	60%	418	\$ 662	\$ -	49.2%
8	3	5	1 Bd 1 Ba	30%	484	\$ 420	\$ -	29.2%
13	5	8	1 Bd 1 Ba	40%	484	\$ 420	\$ -	29.2%
12	4	8	1 Bd 1 Ba	50%	484	\$ 420	\$ -	29.2%
10	4	6	1 Bd 1 BaS8*	60%	484	\$ 818	\$ -	56.8%
124	44	80	* Tenant Based Section 8 Voucher household					

**Location:** Fort Collins Downtown

**Amenities:** Energy Star appliances, AC, Community Room, fitness room, wireless internet, & outdoor gardens

**Services:** DMA Plaza Apartments has hired a social/service coordinator to coordinate activities and assist residents to access a full range of community service

**Description of energy efficiencies:** energy-conserving appliances, new large operable (low heat gain) windows, drapes and blinds, replacement of exterior building system with a more insulating product, new baseboard heaters and controls in the bedrooms, water conserving fixtures, new HVAC to the units

**Type of financing;** 4% and 9% tax credit equity, conventional and PAB Debt, City of Fort Collins and Colorado Division of Housing Grants, Tenant Based Section and applicant contribution of the \$10,250,000 value of land and building

**Changes since previous application:** Construction Cost increase of about 2.5% and equity price decrease of about 10%; scope of renovation is unchanged.

### **Project Description**

DMA Plaza Apartments is an existing 11-story, 126-unit, rectangular apartment building that was built in 1973/1974 by the Fort Collins Downtown Merchants' Association (DMA) to provide affordable housing for the merchants' employees when they retired. DMA Apartments has successfully managed the property as a HUD 236 for 40 years.

Currently, DMA Plaza includes 83 studio units, 42 1-BR units, and one 2-BR unit. Sixty-five parking spaces serve DMA Plaza Apartment residents, visitors and staff. The total gross building area is 71,455 square feet, of which approximately 16,785 gross square feet is in combined resident support/circulation/office/mechanical areas throughout the building and 54,670 square feet is in residential units. There are two main accessible entrances at the east and west sides of the building and two additional emergency exits at the north and south sides of the building. Two elevators serve all 11 stories. Typical 1-BR units (42 units) are approximately 484 square feet each, 11 of which are accessible. Typical studio units (83 units) are approximately 418 square feet each. The common space, located on the ground floor, includes a community room and a laundry room.

The HUD 236 loan was paid off in 2014 and the property is free and clear of debt and any restrictions. The Board of Directors desires to keep this project as a low income property if the needed funding can be secured.

### **Renovation Construction**

The renovation is going to be costly because of the need to abate asbestos in the exterior walls, the interior dry walls, and popcorn ceilings. That means the construction must include new exterior walls and completely gutting the interior. The positive side is that because of the concrete and steel structure, this renovation will allow this property to be in service for another 50 years and, with needed funding, the Board will dedicate this property as low income seniors in perpetuity.

The scope of the rehabilitation will include every apartment and will expand some of the common area. Every apartment will receive an upgraded kitchen with energy-conserving appliances and granite countertops, new doors, new flooring, new large operable (low heat gain) windows, drapes and blinds, replacement of exterior building system with more insulated product, new baseboard heaters and controls in the bedrooms, water-conserving fixtures, new HVAC to the units (which will now deliver cooled air), and updated bathrooms with roll-in showers. The two-bedroom unit on the first floor will be converted to expand the resident laundry space, and provide a new multifunction room with an accessible restroom for visiting clinics, conference use and other resident uses. A first-floor studio unit will be converted to a fitness room for resident use. The HVAC, electrical service and fire suppression systems will be

substantially upgraded to improve safety and quality of life. There will be significant asbestos abatement (in the floors, the walls, and ceiling tiles) as well. Once the rehabilitation is completed, there will be 124 residential apartments. One two-bedroom unit and one studio will be converted to expand common area on the ground floor. One of the other studio unit on the ground floor will be converted to a one bedroom unit.

### **Population Being Served**

The AMI Mix described below includes 54 units at 30% and 40% AMI, 44% of the total 124 units. In addition the 42 60% AMI units are all tenant based Section 8 units that are occupied almost entirely by residents at or below 40% AMI. With the Section 8 units included the project would serve 96 households at or below 40% AMI. This is consistent with the current unit mix which includes 77 units serving residents at 30% AMI and 16 units with residents at 40% AMI keeping in mind that twenty units are being held vacant in anticipation of the renovation. To our knowledge the non assisted units would be the most affordable tax credit units in Colorado.

### **Location**

The DMA Plaza is located within the center of Fort Collins Old Town, providing easy access to many amenities for its residents. Within one block of the property are a Safeway (with pharmacy) and Wells Fargo Bank, small businesses to the north, and a great variety of dining establishments, bars, and services along S. College Ave. Old Town Square, a few blocks north of DMA Plaza, also features multiple shopping venues and restaurants Other major shopping in Fort Collins is located in the southern section of Fort Collins, accessed by bus Route 18, with a stop at the north end of the property. Colorado State University (CSU) is located roughly one mile southwest of the subject and is accessible by the MAX line which has stops two blocks away from the property. The University offers those over the age of 50 the opportunity to audit classes to learn more about a broad range of topics, including history, the great outdoors, environmental issues, science, health, and much more. No prerequisites or degrees are required, and online classes are offered. Library Park, two blocks northeast of DMA Plaza, offers space for recreational activities and social gatherings. At the center of this park, the Poudre River Public Library offers more than check-out items with educational and entertaining activities scheduled throughout the week. The Fort Collins Museum of Art, located two blocks northwest of the subject, offers a unique series of art exhibitions, community events, publications, and educational events. The Lincoln Center for Performing Arts is located on S. Meldrum St., less than half a mile away and offers diverse performances in theatre, dance, visual arts, and children’s programming.

### **Unit and Exterior Common Amenities**

The “Before and After Renovation” chart in the Market Study describes significant improvements to the unit and common area amenities including kitchens, bathrooms, exterior wall, HVAC, flooring, community, laundry, and fitness rooms and the seating area at the north end of the property and the xeriscaped gardens around the building

## **Services**

DMA Plaza Apartments has hired a social/service coordinator to coordinate activities and assist residents to access a full range of community service

## **Energy Efficiencies**

The scope of the rehabilitation will include every apartment and will expand some of the common area. Every apartment will receive an upgraded kitchen with energy-conserving appliances and granite countertops, new doors, new flooring, new large operable (low heat gain) windows, drapes and blinds, replacement of exterior building system with a more insulating product, new baseboard heaters and controls in the bedrooms, water conserving fixtures, new HVAC to the units (which will now deliver cooled air), and updated bathrooms with roll-in showers. The HVAC, electrical service and fire suppression systems will be substantially upgraded to improve safety and energy efficiency

## **Financing**

The extensively renovated DMA Plaza Apartments will be owned by two yet-to-be formed LLLP's, both of which will have DMA Plaza, Inc. or a related entity as general partner. The renovation will involve two separate partnerships because both 4% low income housing tax credits with tax exempt mortgage bond financing and 9% tax credit with conventional mortgage financing are being utilized.

## **Local State and Federal Support**

As shown in the table above it is anticipated that financial support will be received from the City of Fort Collins and the Colorado Division of Housing. The project expects to continue to serve a significant number of residents with tenant based Section 8 vouchers. The Fort Collins Housing Authority may participate as a special limited partner.

## **Guiding Principles**

### **To support rental housing projects serving the lowest income tenants for the longest period of time**

As stated above to our knowledge the non assisted units would be the most affordable tax credit units in Colorado DMA Plaza has been serving low income for 43 years and as part of this application is making a formal commitment to maintain affordability for the maximum period of 40 years. The mission of the sponsor is to maintain the affordability forever.

### **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit**

DMA Plaza, Inc has successfully managed a very affordable senior housing project for 43 years. The project is strongly supported by the Fort Collins Community. DMA Plaza Inc. is the type of



sponsor that would greatly benefit from the tax credit program in order to accomplish the severely needed renovation of the property so that it can continue to be a valuable resource for the community.

**To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing**

DMA Plaza provides affordable housing for seniors.

**To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail**

The SITE IS accessed by bus Route 18, with a stop at the north end of the property and by the MAX line which has stops two blocks away from the property.

**To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing**

The property has a critical need for renovation and although there are no plans to convert to market there are no restrictions that would prevent it.

**To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period**

The mixed 4%/9% financing ensures that the project makes very efficient use of the 9% credit. The full renovation of 124 units is being achieved with average 9% credit of about \$7,500 per unit.

**Identify which housing priority in Section 2 of the QAP the project qualifies for:**

Although not directly affected by the flooding the project is in Larimer County which was impacted by a natural disaster.

**Describe how the project meets the criteria for approval in Section 2 of the QAP:**

**a. Market conditions:**

Senior affordable housing is in great demand in the Fort Collins area and numbers are not meeting that demand. The City of Fort Collins Affordable Housing Strategic Plan reports that, in Colorado, there are only 25 available units available per 100 households earning less than 30 percent AMI. One of the five strategies established in the Strategic Plan is to preserve the long-term affordability and physical condition of the existing stock of affordable housing.

According to the Highland Group's report Need and Opportunities in Housing and Care: Next 25 Years, a significant unmet demand for more age-qualified affordable rentals exists. The demand for age-qualified, affordable rentals is reflected in the amount of cost-burdened seniors in Fort Collins. HUD's Comprehensive Housing Affordability Strategy (CHAS) data reports that there are approximately 2,474 cost-burdened elderly households earning less than 80% AMI. These numbers will grow and, the City's Strategic Plan reports, Larimer County will see a large growth in its senior population over the next 15 years, doubling 2030.

Most importantly the property has been at near 100% occupancy with a waiting list since completion more than 40 years ago. Given the highly desirable location and the planned substantial physical improvements there is no reason not to expect this to continue.

**b. Readiness-to-proceed:**

The schematic plans are completed and the contractor has done an in-depth analysis of construction cost. Zoning is in place. A sufficient number of units are being vacated so that internal temporary relocation renovation could be accomplished and renovation could start shortly after approval of the tax credits.

**c. Overall financial feasibility and viability:**

Project is feasible based on realistic estimates of rents, expenses, development costs and financing

**d. Experience and track record of the development and management team:**

Mike Sollenberger, the President of the Board of Directors of DMA Plaza, Inc. and an experienced developer of affordable housing, will lead a very experienced development team. As evidenced by the attached resumes the architect, contractor, attorney and financial consultant have relevant experience in the design, construction and financing of renovation projects.

**e. Cost reasonableness:**

The land and building are in effect being contributed. The projected total development cost per unit net of the value of the existing land and building is \$173,300 which is a reasonable cost for a project that should easily last fifty years and provide very affordable housing for seniors during that time.

**f. Proximity to existing tax credit developments:**



One other senior project in PMA: Oakridge Crossing, a planned, 110-unit, senior tax credit-funded apartment property, located approximately 4.5 miles south of the subject in southeastern Fort Collins.

**g. Site suitability:**

The Market Analyst gave the highest rating for the Project Location; See the Location Section above

**h. Provide the following information as applicable:**

Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum): **NA**  
The initial debt coverage ratio is higher than 1.30 in order to maintain adequate coverage throughout the 15 year compliance period.

**2. Address any issues raised by the market analyst in the market study submitted with your application:**

The Market Analyst sees very strong demand for the very affordable units at DMA Plaza and notes that the project is an irreplaceable asset "in the heart of downtown Fort Collins, could not be replaced given current zoning restrictions and construction costs".

**3. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:**

There were none.

**4. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):**

The City of Fort Collins has supported DMA Plaza since it was completed including the possibility of funding for the renovation.. The original sponsor, the Downtown Merchants Association, is itself a community / neighborhood organization.

**5. For acquisition/rehab or rehab projects, provide a detailed narrative that describes the proposed rehab plans and relocation plan (if applicable). Address the 10-year rule; capital expenditures over the past two years; previous related party relationships; past local, state, or federal resources invested in the project; obvious design flaws; obsolescence issues; safety issues; and any significant events that have led to the current need for rehabilitation (i.e., fire, nature disaster).**

**Rehab plan**

The planned renovation has been described above. Although not required for the Preliminary Application for acquisition/rehab projects architectural schematics have been prepared that present in more detail the renovation plans (Item 14).

### **Relocation plan**

There will be no permanent relocation. We will accomplish the renovation process two floors at a time. Vacancies have not been filled, and we are nearly at the needed twenty-four vacancies through natural tenant attrition. When the renovation begins, all remaining tenants on the top two floors, ten and eleven, will be moved to vacant units on lower floors, at no cost to the tenants, and with assistance provided. Once the top two floors are completed, they will be fully furnished as guest suites, complete with furniture, linens and kitchenware. Tenants from the next two floors, eight and nine, and so on will then have their belongings packed and moved to a secure local storage facility, insured and bonded, with assistance in the packing process.

**A 10 year opinion is provided; the only significant capital expenditures over the last two years is for the elevator improvements now in progress**



# 9% lihtc application narrative



Project Name: Emerson Street Apartments

Project Address: 1358 Emerson Street Denver CO 80218

**Executive Summary:** The Emerson Apartments, located at 14<sup>th</sup> Avenue and Emerson Street, will provide exceptional homes for twenty low income families in Denver. The site is in the Capitol Hill neighborhood of Central Denver, a half mile from the central business, shopping, and social districts that provide all major and minor services and employment opportunities.

The census tract is “Middle Income,” with high pressure to make the property market rate. Directly across the street is Morey Middle School. Besides providing educational and athletic programs, the school promotes after-school and recreational classes for children and adults.

This development will be a demolition and rebuild. The site contains three lots with all utilities and alley access. The current building has a footprint on one and one-half lots and contains twelve two-bedroom units. The building is structurally unsound. So much so, four units have been unoccupied for over a year. Soils tests, an engineering study, and a general contractor statement conclude that the building needs to be demolished. A “Certificate of Non-Historic Status” was obtained July 31, 2016. An architect was procured, his plans are “logged in” and construction can start as early as December 2017, immediately following LLLP closing.

The new Emerson Apartments will consist of twenty rental units in a five-story building with one elevator that covers the entire three lots. Included will be two one-bedroom, twelve two-bedroom, and six three-bedroom units; twenty units in all. There will be two offices, a community room with kitchen, secured parking, and unit and building amenities appropriate for family housing. All units are set aside for families with incomes below 60% of AMI.

Project-based vouchers have been utilized for the Emerson tenants through a Mod-Rehab Section 8 contract since 1996. We have started an application to utilize RAD2 Project-Based Vouchers to replace the Mod-Rehab subsidy. RAD2 will subsidize and allow 30% and 40% AMI families to live at the Emerson. Currently there are 12 Section 8 two bedroom units and we anticipate the same number and type of RAD2 units.

The previous LIHTC Partnership has expired and Del Norte owns the property. There are few restrictions and little debt on it. The Del Norte Board of Directors chooses to maintain and expand the property as an affordable home for twenty families.



## Guiding Principles

- **Serving the lowest income tenants for the longest time:**

The Emerson will provide 50% of its units to families earning 50% AMI and 50% of the units to families earning 60% AMI. This restriction will serve low income families for at least forty years.

Project-based vouchers have been utilized for the Emerson tenants through a Mod-Rehab Section 8 contract since 1996. There is a HAP contract that is renewed yearly for the twelve two-bedroom units and it is administered by CHFA. It has been our experience at the Emerson, and portfolio-wide, that families using Section 8 vouchers have significantly lower household incomes, typically at 30% AMI. We have started an application to replace the Mod-Rehab subsidy with RAD2 Project-Based Vouchers. RAD2 will allow 30% and 40% AMI tenants to continue to live at the Emerson. RAD2 uses contracts that are written for twenty years. The contracts are not subject to annual renewal through Congressional Budget Appropriation.

If required because of supplementary funding from the City or State, we will designate units for 30% and 40% AMI households. Applications to those funding sources will be made after we are awarded the LIHTC.

- **Distribution of housing credits across the state, including larger urban areas:**  
The Emerson Apartments is in the most populated neighborhood of the most populated city in the State. For those families desiring the most an urban environment offers, the Emerson will provide those opportunities.

- **Opportunities to qualified nonprofit sponsors of affordable housing:**  
Del Norte Neighborhood Development Corporation has been an approved 501(c)3 Colorado nonprofit since 1978. Del Norte will be the General Partner and will manage all aspects of the redevelopment and operation of the Emerson Apartments. Additionally, Del Norte is recognized by the City and the State as a Community Housing Development Organization (CHDO).

Del Norte's mission is to create and preserve housing and other opportunities for underserved households, including those that are low and moderate income, Spanish-speaking, and those with special needs. The redevelopment of the Emerson property will result in the preservation of twelve and the addition of eight homes, aligns with the organization's mission.

We use our developer fees to support community programs. These include: homeownership counseling, closing cost and down payment assistance, foreclosure prevention and mitigation, single family and multifamily rehabilitation, housing development, and community preservation.

- **Assist a diversity of populations, including families:**  
After studies and tests - partially funded by the Enterprise Foundation - concluded that the current building needed to be razed, Del Norte began the redevelopment opportunity as is always has: getting input from the community and the leadership of the community. At a meeting held on September 16, 2016 with the Capitol Hill United Neighborhoods (CHUN), Marvin Kelly, Del Norte Executive Director, received the following recommendations: a small project, family housing, no studios, limited one-bedrooms and as many three-bedroom units as possible. The group was unanimous, 23 – 0, in support of our plans.

This meeting with neighbors guided us to develop a property that truly provides a home for families by including six three-bedroom units. Each unit will feature full kitchens with pantries, EnergyStar appliances, including dishwashers and microwaves, dining areas, coat and storage closets, air conditioning, and window coverings. There will be several family friendly amenities on site, including a large laundry room, a community room, an onsite manager, and a secure bike/stroller area. There will be no carpet in the building, only plank style flooring. There will also be a large rooftop deck for entertaining, barbeques, and a place to garden.



The proximity to Morey Middle School, across the street, provides support to families beyond normal educational and athletic courses. Morey provides after school educational and fitness classes including English as a Second Language, Spanish, Zumba, yoga, and allows the community to swim in its pool. Morey provides classes such as knitting and art, as well. The school provides a free lunch for children and at reduced cost for adults during the summer. All the families at the Emerson will qualify for these services.

- **Opportunities within a half-mile of public transportation:**

Colfax has several busses that travel on it; it is the busiest RTD route. A stop one block away can get travelers on the 15, 15L, 16, and 16L every fifteen minutes allowing travel from past Tower Road in Aurora, through Union Station, to the Federal Center.

Bus 12 stops one block away, traveling every fifteen minutes from Englewood to Northglenn.

The 10 is bus with a stop two blocks away with departures every fifteen minutes traveling from Airport Road in Aurora, to the Federal Center.

- **Support new construction or acq/rehab at risk of converting to market rate housing:**

While the Emerson will be new construction, it will also be a preservation project. Del Norte will be preserving affordability by retaining the current income targeting through a LIHTC LURA and the Section 8 RAD2 program.

According to Geocode, the census tract of the Emerson Apartments is “Middle Income.” This newly HUD-defined group of households has incomes of 100 – 120% AMI, higher than “Moderate Income.” Building affordable housing in areas that are not low income, nor moderate income, avoids concentration of poverty, promotes racial and economic equity, and allows for housing choice in an area of high opportunity.

Del Norte receives significant interest from many for-profit developers for this choice site. Because there is little debt on the property it is very tempting to sell. However, we are committed to keeping and expanding this site as affordable.

- **To reserve only the amount of credit that CHFA determines to be necessary:**

We are requesting an award large enough to fill the gap after computing what the City and the State may provide, the cost of the land for only the debt on it, obtaining competitively bid construction prices, and deferring about half of the developer fee. The credit request per low income unit is similar to what we have requested in previous years of working with CHFA.

## **Criteria for Approval**

- **Market Conditions**

As described above and in the Market Study the demand is very strong for affordable housing in the primary market area

- **Readiness-to-proceed:**

Del Norte owns the site which has the proper zoning for our plans. A “Certificate of Non-Historic Designation” has been received will allows for demolition. The Phase1 has determined no environmental remediation is needed. Soils tests have concluded. The Architect and General Contractor have been procured. Along with engineer input, including a Green Charrette hosted by Group 14, the architects have produced 100% construction drawings. The drawings have been accepted and have been “logged in” to the City of Denver. We will be ready to start construction before the end of 2017.

Besides being shovel ready, there are other aspects of this development that have been completed:

- The eight tenants who reside at the Emerson were given a bi-lingual General Information Notice, to begin the relocation process. Del Norte, Pillar Property Services (management company), and the tenants are educated to their respective rights and roles under the Universal Relocation Act.
- We met with HUD and CHFA staff to begin the conversion of the Mod-Rehab Section 8 subsidy to RAD2, and our RAD2 application has been started.
- The application to Denver Housing Authority to become the Class B Limited Partner was submitted.
- A line of credit application to assist with early development costs was submitted to Mile High Community Loan Fund, a longtime Del Norte partner.
- We received early, solid commitments from equity providers and construction lenders that we have partnered with successfully in the recent past.

- **Overall financial feasibility and viability:**

The projected operating expenses are achievable, the budget includes all required reserves, the DCR is within limits, and the 7% vacancy rate is conservative. The PUPA is slightly high due to the three-bedroom units and the fact that we expect many children to live in the building.

Utility costs will be low as energy and water saving features and EnergyStar appliances and fixtures guided by the Enterprise Green Community standards are incorporated.

We are applying for RAD2 Project Based Vouchers. The vouchers pay up to 120% of FMR. We have chosen a more conservative rate (100% FMR) for our proforma, and the

proforma is achievable. RAD2 contracts are for twenty years and are not subject to annual Congressional appropriation. Also, RAD2 has a sixty-day vacancy pay guarantee.

An application was submitted to DHA requesting they become the Class B Limited Partner. We expect this will result in the abatement of property tax.

Del Norte, Wells Fargo, Pillar Property Services and the rest of the team have a successful record of developing projects that meet deadlines of closings, construction, lease up, and compliance. Del Norte has never defaulted on a LIHTC project.

- **Experience and track record of the development and management team:**

Del Norte Neighborhood Development Corporation has substantial multifamily rental housing development experience. A very long list of complex developments, both rental and for-sale, for special-needs and for low-income populations is included under the Development Team resume. We have a successful history of using CHFA products.

Del Norte's first project utilizing LIHTC was in 1993, the Tallmadge-Boyer Block, which produced twenty-eight units of affordable housing. Del Norte's largest project – at ninety-eight units – was the mixed-use, mixed income Mercantile Block in downtown Denver. Both projects have performed well and continue to preserve affordable housing in now gentrified areas.

The Juan Diego apartments, a 9% LIHTC project, was completed in 2009 within the time frame and on budget despite the political opposition of housing chronically homeless persons with HIV/AIDS and having Washington Mutual Bank, the construction lender, go bankrupt. The Veterans Apartments also finished on time and on budget, despite having extreme investor conditions, including a requirement to use the investor's expensive products, an equity rate of \$0.64, use of Davis-Bacon wages and compliance, and having to secure project-based subsidy from the Veterans Administration. Del Norte's most recent 9% LIHTC project, the Avondale Apartments, finished on-time and on-budget. The mixed-use development is home to eighty families and has 10,000 square feet of commercial space.

Pillar Property Services (PPS) has managed properties for Del Norte since 2013 and will provide management services for the Emerson. PPS provides management services for a diverse clientele, a clear majority who are very low-income, homeless, and have special needs - some of the state's most vulnerable and difficult to house. Properties operate with several types of subsidies that make compliance requirements demanding.

- **Cost reasonableness:**

There are specific costs related to developing in an urban area. Regarding the Emerson, these costs include higher general conditions related to the tight site, and utility requirements in an infill site. The development boom in Denver is driving costs up for



reasons such as time lost due to City building, zoning, and inspection department backlog and the shortage of equipment and skilled and unskilled labor.

This building will be home to families and Del Norte created living spaces in a building constructed to the property lines. We designed a large community room on the first floor and an outdoor space on the roof, causing an extra elevator stop with cover.

This development is small – twenty units, and there is no economy of scale. Also, we are providing six, large, three-bedroom units. At just over \$200,000 per unit, all which will remain affordable and relevant in a Middle-income neighborhood for forty years, the costs are reasonable.

- **Proximity to existing tax credit developments:**

According to the Market Study, there are seven LIHTC apartments for families in the PMA. There is one LIHTC project for homeless and no others in the pipeline in the PMA.

- **Site suitability:**

As expected because of the Emerson's location in Denver's densest neighborhood and its proximity to Downtown, the Market Study listed the walk score as 91: "Walker's Paradise"; a transit score of 72: "Excellent Transit"; and a bike score of 71: "Biker's Paradise."

Along with several small and specialty food stores, there is a Whole Foods within a quarter mile and a King Soopers within a half-mile. Cheesman Park and Civic Center parks are one-half mile away. City Park, Zoo, and Museums are less than one mile away.

Besides the school across the street, Auraria Campus, home of CU-Denver, Metropolitan State University, and the Community College of Denver, is just over one mile east.

### **Justification for waiver**

The PUPA at the Emerson is somewhat because of the expected maintenance costs. The PUPA formula is based on number of units, but one-third of the units at the Emerson have three bedrooms. Our experience has taught us that maintenance of three-bedroom apartments is more expensive. This is due to the increased square footage and households with children need continuous monitoring and care.

### **Market Study**

According to the market study completed by Prior and Associates on March 14, 2017, the PMA of the Emerson Apartments has an overall vacancy rate of 2.7%, demonstrating a market area of extreme pent-up demand for affordable housing. The PMA could add 490 rental units without exceeding a 5.0% vacancy rate, which is generally considered the balanced rental market. The Prior study states the Emerson Apartment's capture rate is 5.2%, with the existing Class B family LIHTC projects having 0.8% vacancy and waitlists not being needed.

Regarding absorption, Prior concluded that the Emerson Apartments should fill the twenty units in one month, without concessions. Further, the study confirms that after lease-up, the Emerson should have an average stabilized annual occupancy rate of at least 95%, and average yearly rent increases of 1.5%.

The summary had a long list of Strengths and one Weakness: The unit sizes were smaller than others in the PMA.

### **Environmental report**

A Phase 1, conducted by Pinyon Environmental on May 4, 2017, found no issues.

### **Cost containment**

The cost for land in Capitol Hill is considerably higher than the land cost shown for the new Emerson Apartments. Del Norte is selling the property for the amount owed. The building will be built to the height and width the lot will allow under the current zoning to provide as much density as possible.

The architect and general contractor were awarded the job after being advertised for and undergoing procurement. Where possible, the construction divisions have been competitively bid.

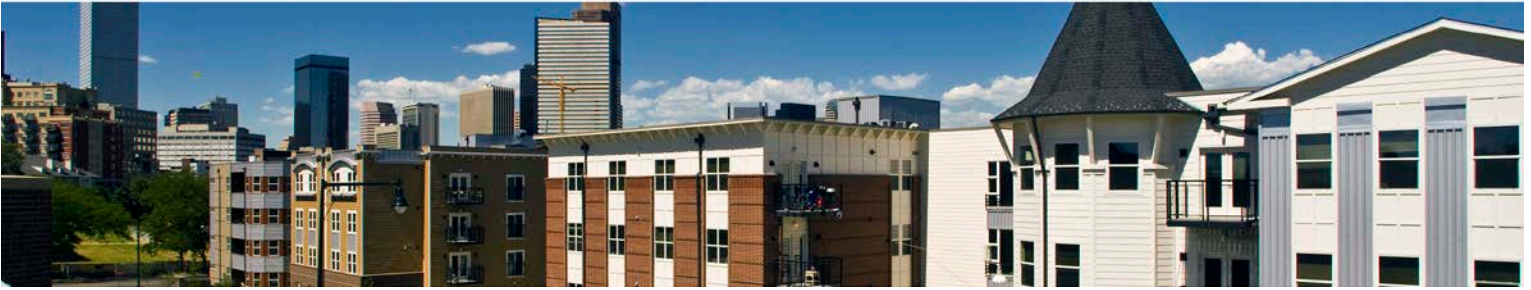
### **Outreach**

Our first meeting with the local Registered Neighborhood Organization was held soon after we determined the building needed to be demolished. We were pleased when the neighborhood supported our request to keep the Emerson Apartments affordable, even though the neighborhood has become Middle Income. In September 2016, we received an email of the vote to support Del Norte's plans, unanimous 23-0.

A meeting was held with Councilman Wayne New shortly after the neighborhood meeting. He gave us general support for our programs. We returned to Councilman New's office in May of 2017 with the final draft of the construction drawings and a rendering, which were well received. A Letter of Support from Councilman New is attached.

In May 2017, a meeting was held with Noah Tonk, Principal of Morey Middle School. He was happy the Emerson would be rebuilt and continue to provide affordable homes. A schedule for deliveries on Emerson Street was agreed upon. We established a method of communication with the students, parents and faculty. He informed us of all the recreational, educational, and athletic programs the Emerson families could participate in.

# 9% lihtc application narrative



**Project Name:** Freedom Springs

**Project Address:** 0 Western Drive, Colorado Springs, CO, 80915

## **1. Executive Summary:**

Colorado Springs has 161 veterans who are homeless every night; in addition, 288 families are homeless every night. Freedom Springs will change that. By offering affordable housing and onsite supportive services to develop and maintain stability, Freedom Springs will provide a uniquely supportive community environment for formerly homeless veterans and veteran families. Collaboration between The Vecino Group, Pikes Peak United Way, Volunteers of America, and Ross Management will make Freedom Springs a success. The Vecino Group will act as the owner/developer; Pikes Peak United Way as the land owner; Volunteers of America as the lead service provider and Ross Management Group as the property manager. Freedom Springs will provide 50 units of permanent supportive housing with amenities geared toward stability and fostering a sense of community and interaction for veterans and veteran families, ultimately decreasing veteran homelessness by 24% and family homelessness by 10% in Colorado Springs.

Freedom Springs is a proposed new-construction, multifamily permanent supportive housing development that will consist of 50 units (6 efficiency, 38 one-bedroom, and 6 two-bedroom); 100% of which will have project based rental assistance. Twenty-five project-based vouchers have been awarded from Colorado Springs Public Housing Authority. In addition to the commitment of vouchers, Freedom Springs has a funding commitment of \$500,000.00 from the El Paso County Housing Trust Fund and a commitment of tax abatement from the El Paso County Public Housing Authority. Freedom Springs has applied to Colorado Department of Housing for an additional 25 project based vouchers and will apply for matching home funds after allocation of tax credits.

The development will consist of one three-story elevator-serviced building containing 50 permanent supportive housing units and associated amenity space. The proposed security/community/amenity space will consist of an on-site property manager's office/lobby, on-site service provider offices, wellness room, food pantry/lending library, community room

with full kitchen, exercise room/gym, computer room, maintenance office and storage, conference room, classroom, rotating/open office space for visiting service providers, outdoor sport court, vegetable gardens, tot lot, security cameras, controlled access entries, and parking.

Freedom Springs is ideally located in Cimarron Hills, an unincorporated area within El Paso County, just outside of Colorado Springs and north of Peterson Air Force Base and in census tract 50.00 with a poverty rate estimate of 14.27% on the 2014 ACS 5-year estimate. The suburban site provides an opportunity for fostering community interaction, prospective educational and economic advancement, as well as safety and security. A transit line to the north services the site; in addition, Freedom Springs will have on-demand transportation provided by a part-time driver and donation of a van to the project.

Freedom Springs will follow the Enterprise Green Communities requirements. Its intended methods will total 59 intended points, 24 points above the 35-point minimum requirement. In addition to the mandatory criterion, the development will highlight access to open space, efficient irrigation, advanced water conservation, be 5% more efficient than EGC baseline, construction waste management, recycling storage, advanced ventilation, recreation space, and renewable energy from photovoltaic (PV) panels.

Each unit at Freedom Springs will have forced heating and air conditioning, blinds, Energy Star washer/dryer, Energy Star dishwasher, Energy Star refrigerator, range, disposal, and microwave. Luxury vinyl tile flooring and solid surface countertops will be used for durability and style.

The foundations will be a mix grade beam and spread concrete footings, slab on grade first floor, floor slab, and three-story wood frame construction. Elevator serviced, with amenity and service provider space throughout the 1<sup>st</sup> and 2<sup>nd</sup> floors. Energy Star windows, doors and insulation will all meet or exceed Enterprise Green Communities standards.

Freedom Springs has a broad range of financial sources for funding, many of which are already approved. Freedom Springs will utilize 9% low income housing tax credit financing, a “soft” loan from the El Paso County Housing Trust Fund, CDOH has indicated support of a matching loan, Colorado Springs Housing Authority has approved 25 project based vouchers and the El Paso

County Housing Authority has agreed to enter the ownership entity as a special limited partner to facilitate a property tax abatement for the development. The development will be able to remain debt free, allowing net cash flows to be reinvested in services and programs for residents, with equity/deferred developer fee being contributed by The Vecino Bond Group.

This is a third attempt to fund Freedom Springs. In 2015, the application lacked supportive housing vouchers. In 2016, the community was 100% one-bedrooms for single veterans, after a more in-depth data dive and several meetings with state and local stakeholders, the partners of Freedom Springs revamped the application to include families with a veteran preference. In addition, the ownership structure was changed to reflect Vecino Bond Group, LLC as the sole owner.

**2. Identify which guiding principles in Section 2 of the Qualified Allocation Plan (QAP) the project meets and why it meets them:**

- *Projects serving Homeless Persons as defined in Section 5.B5:*

Section 42 of the Code defines “homeless” as an eligible individual or family who (a) lacks a fixed, regular, and adequate nighttime residence; and (b) has a primary nighttime residence that is: (i) a supervised publicly or privately operated shelter designed to provide temporary living accommodations (including welfare hotels, congregate shelters, and transitional housing); (ii) an institution that provides a temporary residence for individuals intended to be institutionalized; or (iii) a public or private place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings. The term “Homeless Individual” does not include any individual imprisoned or otherwise detained under an act of the Congress or a state law.

Freedom Springs will receive 100% of its referrals from service agencies/coordinated entry in Colorado Springs. The following agencies have indicated the demand for these units:

- Veteran’s Administration (10 referrals at lease up and 4 monthly referrals)
- Homeward Pike’s Peak (6 referrals at lease up and 2 monthly referrals)
- Rocky Mountain Human Services (20 referrals at lease up and 5 monthly referrals)
- Aspen Pointe (5 referrals at lease up and 1 monthly referral)
- Springs Rescue Mission (40 referrals at lease up and 20 monthly referrals)

Salvation Army (15 referrals at lease up and 27 monthly referrals)

Each person/family referred through the coordinated entry system in Colorado Springs will meet the definition of homelessness as defined above.

**3. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:**

- *To support rental housing projects serving the lowest income tenants for the longest period of time:* Freedom Springs will be housing persons that are considered “literally” homeless and without resources. We anticipate that most residents will be considered extremely low-income at 30% of area median income or below.
- *To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons and persons in need of supportive housing:* Freedom Springs will be serving the homeless population with 100% of its units. In addition, to providing units to persons that are homeless, Freedom Springs will offer full-time, on-site services. The persons living at Freedom Springs will be identified through the coordinated entry system as needing supportive housing and qualifying for the most vulnerable housing, needing the most services.

**4. Describe how the project meets the criteria for approval in Section 2 of the QAP:**

*a. Market conditions:*

The most recent published Point-in-Time Count for Colorado Springs/El Paso County is 2015. The count reports that a total of 288 persons in households with at least one adult and one child were homeless, with 201 living in transitional housing, 84 in emergency shelter and 3 unsheltered. The count reports that 161 veterans were homeless, with 54 being unsheltered and 107 being sheltered. Freedom Springs will decrease veteran homelessness by 24% and family homelessness by 10% in Colorado Springs.

The project will not negatively impact the vacancies of other rent restricted developments in the area due to the lack of affordable housing, waiting lists and high occupancy rates at existing properties in the market area.

In addition to the most recent published Point-in-Time Count (PITC), the market study identified the following PITC numbers:

“Of the 1,415 homeless persons in the PMA in 2017, 958 (67.7%) were considered sheltered and had housing in emergency shelters or transitional housing, while 457 (32.3%) were unsheltered individuals residing in the street. There were 258 homeless veterans and family members in 2017.”

Further, according to the market study, there are 212 PSH units in the market area that are either existing or in the pipeline, while there are 881 income- and size-qualified homeless persons in the PMA for the subject’s units. The number of qualified special needs homeless renters far exceeds the number of existing and proposed PSH units in the PMA. The proposed project should reach 97% stabilized occupancy within two months, without concessions.

*b. Readiness-to-proceed:*

Pikes Peak United Way currently owns the land. A Phase I has been completed and no further investigation is recommended. The site is properly zoned and will only require administrative review. Further community outreach and entitlement process will resume in August 2017.

*c. Overall financial feasibility and viability:*

Freedom Springs is financially feasible if awarded 9% Low-Income Housing Tax Credits as requested. The project is not requesting a basis boost. The gap funds from Colorado Division of Housing will be requested post LIHTC allocation; a letter of intent was submitted along with the Project Based Voucher (PBV) application. The "hard" funds identified, including construction financing terms and tax credit investor pay-in rates, are all based on discussions with the developer’s existing relationships with these firms and considered very achievable, given the forecasted conditions for the next 12 months in the financial markets. Pro forma estimates of rental income, vacancy rates, operating expenses, debt coverage ratios and reserve deposits all fall within the developer's typical underwriting targets and within CHFA's underwriting standards as well. Finally,

the project is not feasible as a PAB/4% LIHTC project. The amount of soft funds required to fill the gap under a "4% scenario" would be unachievable.

*d. Experience and track record of the development and management team:*

Freedom Springs will be developed and owned by Vecino Bond Group, LLC. Pike's Peak United Way is leasing the land to the Freedom Springs project at a nominal rate. Ross Management Group (RMG) will manage the property and Volunteers of America will be the lead service provider.

**Vecino** is a private, for-profit company devoted to Housing for the Greater Good. Vecino has over 100 developments in five states, has 39 dedicated staff and offices located in California, Missouri, Utah, New York and Kansas. A project portfolio can be found attached. **Pike's Peak United Way** was founded in 1922 and is dedicated to advancing the common good by not only providing a safety net for basic services, but also preventing tomorrow's problems by addressing issues today. **Ross Management Group (RMG)** is a Denver based company with 25 years of experience in property management. With a portfolio comprised of many LIHTC properties, RMG specializes in lease up and compliance. RMG is in good standing with CHFA. **Volunteers of America Colorado Branch** is a national, nonprofit, faith-based organization dedicated to helping those in need rebuild their lives and reach their full potential.

*e. Cost reasonableness:*

Vecino Design Build has significant experience in the design and construction of affordable housing and has obtained a 3<sup>rd</sup> party estimate of construction costs that are in line with internal estimates to construct the project. Overall, the cost to construct this project is in line with projects of comparable size, quality, and demographic served especially considering Davis-Bacon wage requirements and supportive service escrows.

*f. Proximity to existing tax credit developments:*

According to the market study, there are three existing LIHTC developments, one VASH/Inc. Restricted, and one existing PSH development in the PMA. All have occupancy rates of 95-100%. There is one existing unit offline, being rehabbed and 62 PSH units under construction in the PMA. The inclusion of the subject's 50 units to the PMA's PSH



rental inventory, in addition to the 63 similar dwellings that are under construction or offline, will not have a detrimental impact on the occupancy rates of existing PSH units, since the subject will fill its units with homeless persons from a multitude of referral partners.

*g. Site Suitability:*

Many factors contribute to the suitability of the site, appropriate zoning, proximity to community services and neighborhood amenities, walking distance to transit stop, suitability in construction and providing a safe and secure site. Freedom Springs is partially made possible through the donation of land to Pikes Peak United Way, with PPUW leasing the land to the project. The site is in an established neighborhood and the area has been attracting limited development. A 160,000-square foot shopping center is under construction 2.1 miles northeast, while FedEx recently completed a 223,000-square foot distribution center, 1.1 miles southwest of the subject.

5. **(a).** The first year DCR is above 1.30 in agreement with PSH underwriting and having available net cash flow to offset the high cost of services provided to residents of Freedom Springs.

**6. Address any issues raised by the market analyst in the market study submitted with your application:**

*“The subject’s location is slightly inferior to both surveyed properties with PSH and VASH units because these properties are closer to shopping and employment centers, public transportation and off-site homeless resources than the subject.”*

The collaborative partners and key stakeholders view this location as a benefit to the project, due to the ability to provide enhanced services and security at this site. Volunteers of America (VOA) has extensive experience managing, coordinating and providing services to homeless households and will be able to fill the units with existing clients and referrals from numerous in-kind service providers and the coordinated entry system. Freedom Springs will partner with a wide array of on- and off-site supportive services to ensure that each resident is receiving the necessary services. In addition, Freedom Springs will have on-demand transportation for residents through a donated

vehicle.

**7. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:**

The Phase I did not report any recognized environmental conditions.

**8. Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:**

Davis-Bacon wage requirements are a significant cost to the project. Cost containment has been keenly in focus, PPUW has agreed to lease the land at a nominal annual rate, and Vecino Bond Group, having an integrated, design, engineering and construction team allows the developer to review and streamline design documents as they are being produced.

**9. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):**

The Freedom Springs' team has coordinated local community support for the last two years to garnish support. The initial support spun from a local business owner providing the land on which Freedom Springs will be developed. El Paso County has provided support by partnership percentage and tax abatement. In addition, El Paso County has provided \$500,000.00 to the project (awarded in April 2017). The local non-profit landowner is the lead agency for the Continuum of Care, providing education to the local community. Volunteers of America is not currently located in Colorado Springs; however, they have been involved with the Continuum of Care since the partnership began with Freedom Springs. The Workforce Center, Homeward Bound Pike's Peak, and Aspen Pointe have all provided in-kind MOU's to provide on and off-site services at Freedom Springs. Workforce Center, Veteran's Administration and Community Care, have all provided letters of support. Freedom Springs is a local community effort to address and help alleviate homelessness.

**10. N/A**

**Additional attachments:**

- a. El Paso County Letter of Support
- b. Colorado Springs/El Paso County Continuum of Care Letter of Support
- c. Workforce Center Letter of Support
- d. Veteran's Administration Letter of Support
- e. Community Care Letter of Support
- f. Air Force (Craig Schlattmann) Letter of Support

# 9% lihtc application narrative



Project Name: GardenWalk on Spaulding

Project Address: Tract 384, Block 2, Lots 20-28, Pueblo West, Colorado 81007

The Narrative provides an opportunity for the applicant to describe the characteristics of the project and why the applicant believes it should be selected above others for an award of credit. The applicant should document the project's strengths and address its weaknesses. It must include a description of the project as proposed; detailed type of construction; population being served; bedroom mix; location; amenities; services, if provided; description of energy efficiencies; type of financing; local, state, and federal subsidies; etc. **This document should be no more than 10 pages.**

## **Development Overview**

GardenWalk on Spaulding will be located in a market with few affordable housing options. The population has increased from 2000 to 2010 and shows stable projected growth through 2022. The majority of the rental housing stock will be older and less desirable as compared to our proposed development.

Belmont Development Company, LLC is proposing a 48 unit, mixed-income, new construction multifamily development for working families and transitioning veterans in Pueblo West Metropolitan District (PWMD), Colorado. The project will feature one bedroom, one bath units; two bedroom, two bath units; and three bedroom, 2 bath units. GardenWalk on Spaulding will adhere to the 2015 Enterprise Green Communities Criteria and each unit will be fitted with Energy Star appliances, furnaces and hot water heaters and will have all standard amenities. The one bedroom units are approximately 750 square feet (not including any storage that may be provided), the two bedroom units are approximately 967 square feet (not including any storage that may be provided) and the three bedroom units are approximately 1,043 square feet (not including any storage that may be provided). Rents for the one bedroom units are projected from \$370 for the 40% AMI units, \$485 for the 50% AMI units, \$600 for the 60% AMI units and \$825 for the Market Rate units. Rents for the two bedroom units are \$445 for the 40% AMI units, \$575 for the 50% AMI units, \$715 for the 60% AMI units and \$1,020 for the Market Rate units. Rents for the three bedroom units are \$510, \$665, \$825 & \$1,100 for the 40%, 50%, 60% AMI and Market Rate units respectively. Additionally, a mix of units will be handicapped accessible and **there will be a Clubhouse on-site (equipped with offices for on-site management and on-site maintenance, offices for 3<sup>rd</sup> party service providers, community room, laundry facilities, kitchen, living/activity/game room, computer lab, library and fitness**

**center)** for the residents to utilize. The Clubhouse footprint will be approximately 2,424 square feet. Site amenities will consist of gazebo areas, playground and walking trails. GardenWalk on Spaulding will offer quality affordable housing to working families and transitioning veterans, and as the market study indicates, will be well received in the market.

We have experienced unprecedented support from the PWMD. We consider the city leaders to be partners in our effort to provide safe, clean and affordable housing to working families and transitioning veterans. PWMD has been involved every step of the way and will be a constant voice in support of this project.

### **Location**

GardenWalk on Spaulding will be located in a market with few affordable housing options. The population has increased from 2000 to 2010 and shows stable projected growth through 2022. The majority of the rental housing stock will be older when compared to the proposed development.

GardenWalk on Spaulding, will be located on the north side of East Spaulding Avenue, East of Briscoe Drive; more specifically, Tract 384, Block 2, Lots 20-28. The site consists of approximately 10.75 acres of land that is nearly level. The site is located in the southeastern portion of the PWMD. The neighborhood is an area of new growth and has good attractiveness and appeal.

The PWMD is located in Pueblo County which is located in the south-central portion of Colorado. The nearest city with a population over 50,000 is Colorado Springs, Colorado, which is approximately 49 miles north on Interstate 25. The nearest cities are Pueblo, Colorado; Portland, Colorado; Penrose, Colorado; Avondale, Colorado; Boone, Colorado; and Florence, Colorado.

The proposed site is in the southeastern portion of the city. The site is located north of Spaulding Avenue and south U.S. 50. The property will be located on the east side of Briscoe Drive. The neighborhood is primarily accessed by Purcell and Spaulding Avenues.

Given the immediate proximity of services and amenities, vehicular access and employment opportunities for working families and transitioning veterans, our site appears to be in a strategic location for the proposed development.

### **Unit Characteristics and Amenities**

**First and foremost, GardenWalk on Spaulding will undergo design review and will pursue 2015 Enterprise Green Communities Certification.** The units will be constructed utilizing high grade low maintenance materials that will provide a clean, safe, and affordable living environment. The kitchen will be fully equipped with Energy Star (as available) rated appliances and will include a range, range hood with exhaust fan and microwave, refrigerator, dishwasher and a garbage disposal. A laundry closet will be complete with washer/dryer hookups. an

Energy Star (as available) washer and dryer fully installed. Additionally, all units will be hard-wired for security alarms.

The bedrooms and living rooms will have ceiling fans (E-star) to help circulate the air and keep heating and cooling costs lower. High grade carpet will cover the floors in the bedrooms, hallways, and living rooms, while the kitchens and bathrooms will have vinyl flooring. Window coverings are also included in the design. Each unit will have its own Energy Star rated furnace, central air, and hot water heater.

GardenWalk on Spaulding hopes to make additional upgrades to the finished product through sound construction budget management, thereby utilizing construction contingency for "upgrades" instead of cost over runs. Upgrades may include roof system upgrades, cabinet upgrades, carpet upgrades, ceramic tile replacing vinyl flooring, etc.; of course ever keeping in mind our commitment to the 2015 Enterprise Green Communities Program. The site will be attractively landscaped with native, drought resitant flora to provide optimal curb appeal.

### **Development Team**

We have solicited and received the services of a very experienced development team with many years of experience in providing affordable housing for working families

Belmont Development Company, LLC, the project Developer, has many years of experience in real estate development and over 9+ years' experience in affordable housing development.

Belmont Construction Company, LLC will be the General Contractor and is a very quickly becoming one of the most respected construction firms in affordable housing development; especially in the Oklahoma marketplace. Belmont Construction Company, LLC has extensive working knowledge of affordable housing construction regulations and protocols.

Belmont Management Company, Inc. is one of the most respected and efficient affordable housing property managers in a multi-state region and will be providing property management services for the GardenWalk on Spaulding. Belmont Management Company, Inc. has extensive knowledge of affordable property management and compliance with State and Federal regulations governing the same.

Shackelford, Bowen, McKinley & Norton, LLP, a nationally recognized law firm will be providing legal services for the project and brings many years of experience in the area of affordable housing real estate law, real estate due diligence and has an extensive working knowledge of the legal requirements governing the same.

Advantage Environmental, Inc., will be providing Phase I (and other required reports, if any) environmental services to the development. eConsultants, Inc., will be providing oversight for the 2015 Enterprise Green Communities Certification.

The Frost Cummings Tidwell Group, a nationally recognized affordable housing accounting firm, will be the project accountant. Frost Cummings Tidwell Group has extensive knowledge of affordable housing accounting, Carry-Over Allocations and Cost Certifications.

Wallace Architects, LLC; Randy Porter, Partner, will be providing architectural services for the project and brings many years of experience in the area of affordable housing design and supervision. Wallace Architects is one of the largest and most active firms in the Midwest specializing in affordable housing developments. Wallace Architects has designed many NAHB Green Certified and/or Energy Star rated facilities and has been awarded the 2010 NAHB Green National Project of the Year.

**Belmont Development Company, LLC has formed a team of professionals, primarily entities that are extremely well versed in affordable housing processes and procedures, to support the success of this project and are on board to see this project across the finish line.**

### **Project Financing**

Our GardenWalk on Spaulding application has a construction loan commitment from Sterling Bank in an amount not to exceed \$8,250,000 at an interest rate of 5.25% and term not to exceed 18 months. There is a 1% origination fee on this loan.

Our GardenWalk on Spaulding application is requesting a permanent loan from CHFA's 9% Tax Credit Loan Program in the amount of \$2,215,000.00 with an interest rate of 5.5% and a term of 30 years. There is a 2% rate lock fee and a 1% origination fee for this loan.

Our GardenWalk on Spaulding application is requesting annual federal affordable housing tax credits in the amount of \$907,488.00. 42 Equity Partners is committed to purchasing the federal credits at pricing of \$.90.

Our GardenWalk on Spaulding application is also requesting \$380,000 (\$10,000 per affordable/low income unit) from Colorado Department of Local Affairs – Division of Housing.

PWMD has also shown their support to our GardenWalk on Spaulding application by providing a significant discount on the purchase of the land. Based on recent comparable(s), similar tracts of land in the PWMD area with an R-5 zoning designation sell in the \$300,000 range. Pueblo West has agreed to sell the land for only \$175,000. The additional market value of \$125,000 is being foregone by PWMD as a contribution to the development.

### **Site Strengths and Weaknesses**

Strengths – The site has good visibility. The area has experienced population and household growth. This is a strength which creates a demand for additional housing within the primary market area. In addition, the site is within one mile of the following services: two banks, three grocery stores, one pharmacy, two restaurants, two clothing/department stores, four salons and two places of worship. Also, there are community services located within walking distance including restaurants, department stores and grocery stores. Given the immediate proximity of services and amenities and employment opportunities for the residents of GardenWalk on



Spaulding, the site appears to be the best location for the development of new affordable housing in the PWMD area. A list of the services and employment opportunities, and their location, can be found in the Market Study.

According to PWMD, there have been a few new and expanding businesses in the market area. In 2017, HyMark Motorsports announced a \$3 million expansion, turning the now 7,200 square foot showroom space into a 33,000 square foot showroom space. Additional new and expanding businesses include a new R&D office for United Launch Alliance; an \$82 million expansion of United Technologies Aerospace Systems' jet braking operations; Whole Foods will now only sell Pueblo County grown peppers; a multi-state effort to keep the Southwest Chief train rolling; the establishment of the state's largest solar farm; and the building of the nation's largest hemp oil processing facility.

### **Closing**

Our development team understands the need to bring construction costs in at the lowest possible level while still maintaining the quality and integrity of the development. We have repeatedly sharpened our pencils to submit what we believe to be a comprehensive strategy to provide quality housing in conjunction with unparalleled amenities while keeping the total development costs well within the maximum limits allowed. Upon approval of this request for permanent financing and federal LIHTC, we are ready to proceed.

### **In addition, the narrative should address the following:**

1. Identify which guiding principles in Section 2 of the Qualified Allocation Plan (QAP) the project meets and why it meets them:

#### **To support rental housing projects serving the lowest income tenants for the longest period of time**

GardenWalk on Spaulding will support a range of income levels from 60% down to 40% AMI. Additionally Belmont Development has opted to pursue an additional extended use period beyond the required 15 year compliance period required by the Code. Through section 5.A 2 of the QAP we have chosen to commit to 25 additional years of waiving our right to terminate the extended use. This will ensure the developments affordability to the residents of PWMD for a full 40 years.

#### **To provide for distribution of housing credits across the state**

Since the inception of the Low Income (Affordable) Housing Tax Program only three developments in Pueblo West has received any type of LIHTC award; which was Clarion Place Apartments (PIS - 1999), Pueblo West Gardens I (PIS - 2010) and Pueblo West Gardens II (PIS - 2014). Pueblo West Gardens I & II are both assisted living centers and

target a different demographic than GardenWalk on Spaulding will target, and therefore, are not a good comparable.

**To distribute housing credits to assist a diversity of populations in need of affordable housing, including homeless persons, persons in need of supportive housing, senior citizens, and families**

**&**

**To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those at risk of converting to market rate housing**

GardenWalk on Spaulding is a 48 unit new construction development. As a mixed income development serving both low income working families, market rate working families and transitioning veterans, GardenWalk on Spaulding will be uniquely situated to serve a broad range of families within the PWMD area.

GardenWalk on Spaulding will be partnering with Helping Veterans, an organization with a diverse background in assisting veterans and their needs. Additionally, we will be making a concerted effort to work with non-profit veteran organizations across Colorado to ensure that we provide not only quality housing opportunities for transitioning veterans but to provide a plethora of social services to assist in this effort. No matter the service provider, ALL SERVICES will be available to all residents of GardenWalk on Spaulding. Please see Helping Veterans' Resume and the MOU between the Limited Partnership and Helping Veterans.

**To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period**

We feel confident that we have only requested the amount of credits that would be necessary to make this deal financially feasible though, of course, we defer to CHFA's underwriting team to make the final decision on required credit allocation.

**To reserve credits for as many rental housing projects as possible while considering the Priorities and Criteria for Approval in the following sections**

Belmont Development has worked hard to secure outside funding from various sources including the significant financial contribution made by PWMD, all in an attempt to minimize the total credits required to fill the financial gap necessary to complete the development. We have thoroughly evaluated our proposed budget and believe it represents a pragmatic and realistic estimate for the total costs required to build the proposed development to the standards we feel are necessary.

2. Identify which housing priority in Section 2 of the QAP the project qualifies for:

**Projects in Counties with populations of less than 175,000**

According to 2014 census data, Pueblo County has a population 161,875.

**Market areas of pent-up demand for affordable housing**

The market area will consist of following Census Tracts: 0001.00, 0002.00, 0003.00, 0004.00, 0005.00, 0006.00, 0029.01, 0029.03, 0029.06, 0029.11, 0029.12, 0029.13, 0029.14, 0029.15, 0029.16, 0029.17 and 0029.18. The market area has the following borders: North – Ft. Carson Military Reservation and El Paso County; East – Fountain Creek, Union Pacific Railroad, West 29th Street, Williams Creek and Arkansas River; South – Arkansas River, and Burlington Northern and Santa Fe Railroad; and West – Fremont County. The PMA has very low overall rental housing vacancies with the majority keeping extensive waiting lists. There is clearly an area of pent-up demand for both affordable and market rate housing units throughout this area.

In addition to the statistical analysis provided in the Market Study we have had numerous conversations with multiple city officials and local residents emphasizing to us the significant demand for local affordable housing that they live with on a regular basis.

3. Describe how the project meets the criteria for approval in Section 2 of the QAP:

- a. **Market conditions:**

As can be evidenced in much more detail in the Market Study provided, the overall market within the Primary Market Area is strong. There is no doubt that there is demand for affordable housing in the area and numerous detailed conversations with local officials, surrounding apartment managers, economic development professionals and housing authority personal confirms the same.

- b. **Readiness-to-proceed:**

The GardenWalk on Spaulding property is currently secured through an Option Agreement. Once a reservation of tax credits is secured we will submit final applications to CDOH and begin acquiring firm commitment letter for all funding sources.

- c. **Overall financial feasibility and viability:**

We believe, based upon our extensive experience, that the proposed GardenWalk on Spaulding is financially feasible and viable as underwritten and submitted to CHFA.

d. **Experience and track record of the development and management team:**

Since its inception in 2007 Belmont Development has completed 24 LIHTC developments representing over 1,000 affordable housing units in three separate states. Additionally we have recently secured awards for another 3 developments totaling approximately 150 units that are each in various stages from preparing to close, to construction completion/lease up.

Belmont utilizes in-house management and will act as the management agent for GardenWalk on Spaulding. Belmont Management was established in 2004 and currently oversees approximately 115 properties representing approximately 5,236 affordable housing units throughout an 8 state region in the Midwest.

Once Belmont Development had established itself within the industry we formed the Belmont Construction Company with trusted General Contractors that we had experience with previously. Since then Belmont Construction has been acting as the GC for all awarded developments and we feel that the results speak for themselves. To date Belmont Construction has fully completed 18 affordable housing developments.

**Belmont Development Company, LLC has formed a team of professionals, primarily entities that are extremely well versed in affordable housing processes and procedures, to support the success of this project and are on board to see this project across the finish line.**

e. **Cost reasonableness:**

Our development team understands the need to bring construction costs in at the lowest possible level while still maintaining the quality and integrity of the development. We have repeatedly sharpened our pencils to submit what we believe to be a comprehensive strategy to provide quality housing in conjunction with unparalleled amenities while keeping the total development costs well within the maximum limits allowed. Upon approval of this request for permanent financing and federal LIHTC, we are ready to proceed.

f. **Proximity to existing tax credit developments:**

Since the inception of the Low Income (Affordable) Housing Tax Program only three developments in Pueblo West has received any type of LIHTC award; which was Clarion Place Apartments (PIS - 1999), Pueblo West Gardens I (PIS - 2010) and Pueblo West Gardens II (PIS - 2014). Pueblo West

Gardens I & II are both assisted living centers and target a different demographic than GardenWalk on Spaulding will target, and therefore, are not a good comparable.

g. **Site suitability:**

As part of this bigger plan, GardenWalk on Spaulding will benefit from all the various land-uses within the overall community. The plan includes a mix of housing, retail, open green space, and numerous outdoor community recreational activities. Quite frankly, without the support and backing of the PWMD it would be nearly impossible to find a site that could potentially offer so much in close proximity and still be priced at a point that is financially feasible for an affordable housing development. We are eager to work hand in hand with PWMD and in making GardenWalk on Spaulding one of the focal points of this growth area.

Provide the following information as applicable:

h. **Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):**

Not applicable to this development.

i. **Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:**

Belmont Development is requesting that CHFA utilize their discretionary basis boost for this development. Belmont has secured funding from CDOH and has attempted to access multiple other outside funding sources, but still needs the allowable 30% boost to cover the remaining gap and render the development financially feasible

4. **Address any issues raised by the market analyst in the market study submitted with your application:**

No weaknesses were identified within the market study.

5. **Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:**

No weaknesses were identified within the Phase I ESA.

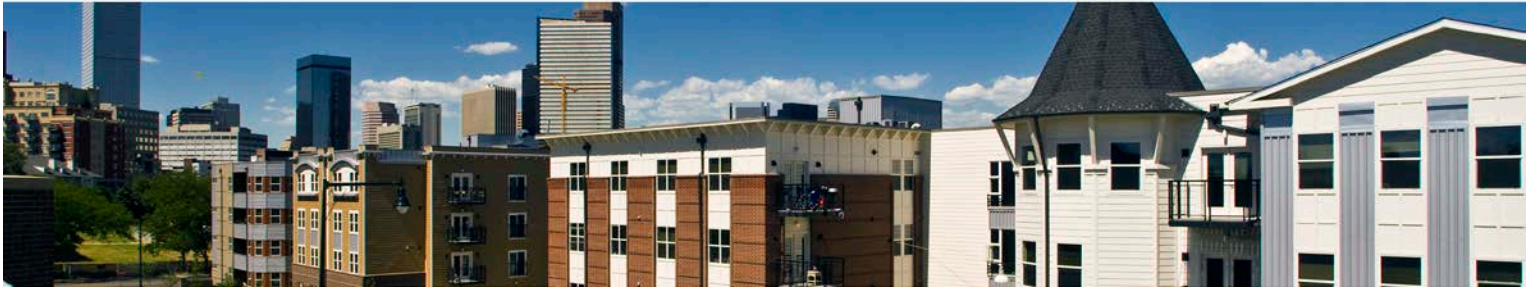
- 6. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):**

We have experienced unprecedented support from PWMD. We consider the PWMD leaders to be partners in our effort to provide safe, clean and affordable housing to their working families and transitioning veterans. PWMD has been involved every step of the way and will be a constant voice in support of this project.

- 7. For acquisition/rehab or rehab projects, provide a detailed narrative that describes the proposed rehab plans and relocation plan (if applicable). Address the 10-year rule; capital expenditures over the past two years; previous related party relationships; past local, state, or federal resources invested in the project; obvious design flaws; obsolescence issues; safety issues; and any significant events that have led to the current need for rehabilitation (i.e., fire, nature disaster).**

Not applicable to this development.

# 9% lihtc application narrative



Project Name: **Golden Gateway Apartments**  
Project Address: **2310-2324 Ford Street and 612 24<sup>th</sup> Street, Golden, CO 80401**

## **1. Executive Summary**

**Golden Gateway Apartments** is a proposed **60-unit new construction** building in the Central Neighborhoods area of Golden. The site identified is an **amenity-rich location** in the City of Golden for affordable housing, with eastbound and westbound legs of three different RTA bus lines on either side of the building, directly across the street from a full-service grocery store and other shopping, and adjacent to Golden High School. The site is also within both a **Qualified Census Tract** and a local **Urban Renewal Area**<sup>1</sup> (providing access to **Tax Increment Financing**), and it also sits within Golden’s Community Mixed Use – Neighborhood Center (CMU-NC) zoning, allowing for a **form-based approach to relatively high-density housing**. The City and its Urban Drainage and Flood Control District have together spent **more than \$2 million in upgraded and FEMA-validated flood control measures** for the entire neighborhood, resulting in a FEMA Flood Map revision that has ameliorated previous flood plain concerns for the site.

The team has worked closely with the **Jefferson County Housing Authority** to ensure **deep targeting of units without compromising financial feasibility**<sup>2</sup>. JCHA has preliminarily committed 25% of the units (15 units) as **Project-Based Voucher units serving individuals and families at or below 30% of AMI**. The developer has also reached out to the Jefferson County-based **Developmental Disabilities Resource Center**, ensuring that tenants with developmental disabilities requiring case management services will have seamless access to those services while living in a high-quality, accessible apartment in a strong location, integrated into a mainstream community of tenants. **Jefferson County** and **Colorado DOH** have also expressed interest in financing the project.

This application is a **significant revision of the application we submitted** for this site last year; we have added **an additional parcel** of land, **reduced overall project density** while **dramatically improving LIHTC per unit**, provided **increased public and private open space**, **eliminated the need** for underground parking, and **addressed concerns about the flood plain** raised in last year’s review. In short, we believe **this is a much stronger project** than what was submitted last year.

The proposed elevator building is a **three-story structure** wrapping a **new public plaza** at the southeast corner. Exterior cladding is a mix of wood, stone, and metal, much like architect Elizabeth Johnson’s Lewis Court senior building across the street. Parking is concealed at the first floor by a **wraparound lobby and gallery**; a steel structure with concrete decking above the parking supports an **interior courtyard for the residents**. HVAC will likely use efficient Aquatherm systems or equivalent; tight sealing and insulation and Energy Star lighting and appliances will keep operating costs down.

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<sup>1</sup> See Central Neighborhoods Urban Renewal Plan and Central Neighborhoods Plan, copied as Exhibit B, below.

<sup>2</sup> See preliminary commitment letter in Exhibit C.

## 2. CHFA Priorities

The project addresses the CHFA priority of **servicing persons with special needs** in Section 5.B 5. While the Golden Gateway Apartments project is not permanent supportive housing per se, the development team has been coordinating with Jefferson County's Community-Centered Board, the *Development Disabilities Resource Center*, **to ensure ready access to case management and other services for tenants with developmental disabilities**. We have secured a preliminary commitment of Project-Based Vouchers for 15 units, or 25% of the units, to serve individuals and families at 30% or less of AMI. For individuals or family tenants at the property who need case management or other services (particularly tenants from the JCHA waiting list in the 30% AMI/Project-Based Voucher units) and who qualify for one of Colorado's waiver programs, DDRC will provide case management services, and will assist in connecting those tenants to resources provided by other agencies as needed. The building has been **designed with accessibility for the disabled in mind**, with covered parking connected by an elevator to all floors of the building, and at least 15% of the units in the building will be designed to be "Type A" accessible units, of which 6 (or 10%) will have all necessary hardware installed for full 504 accessibility.

## 3. CHFA Guiding Principles

- *To support rental housing projects serving the lowest income tenants for the longest period of time*  
Approximately 42% of the units are targeted to families and individuals at or below 50% of AMI, **and 25% of the project is at or below 30% of AMI**. The project has committed to the maximum 40-year period of affordability restrictions.
- *To support projects in a QCT that contribute to a concerted community revitalization plan*  
The proposed project is **within a QCT** and is **part of an urban renewal area** supported by a publicly-adopted urban renewal plan focused on neighborhood revitalization.
- *To provide for distribution of housing credits across the state*  
The City of Golden has not received an allocation of LIHTC **since 2010**, and it has **not received an allocation of LIHTC for a family development since 2008**.
- *To provide opportunities to a variety of qualified sponsors of affordable housing*  
Evergreen Real Estate Group is an experienced out-of-state, for-profit developer and manager of affordable and market-rate housing. We bring **significant experience with the LIHTC program** and the various public and private subordinate financing programs, and we believe that we are helping to expand Colorado's pool of capable and experienced development firms.
- *To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing*  
The proposed Golden Gateway Apartments development serves **families**, and we have put in place the **necessary resources** (enhanced accessibility, ready participation of a case management service provider) **to serve persons with physical or developmental disabilities in need of supportive housing** even if the project is not specifically targeted as permanent supportive housing.
- *To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail*  
The project site is **directly located on both legs of three heavily-traveled RTD bus lines** serving downtown Golden and the Denver Civic Center station, with connections to the RTD "W" light rail line and to downtown Boulder.



- *To support new construction of affordable rental housing projects*  
The proposed project is **new construction**.
- *To reserve only the amount of credit that CHFA determines to be necessary for financial feasibility and viability as a qualified low income housing project throughout the credit period*  
The project is claiming **23% less in LIHTC than it is eligible to receive** given the QCT, with gaps filled by a variety of local, county, and state sources, helping to stretch available LIHTC resources.
- *To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval.*  
The project has been redesigned to propose **36% more units** than the previous (2016) application, while the **requested credit per unit has been reduced by 11%** despite a projected **12% reduction in equity pricing** resulting from uncertainty about Federal tax reform.

#### **4. Criteria for Approval**

##### *a. Market conditions*

As noted in the recent article from the *Denver Post* in Exhibit A, affordable housing has become increasingly scarce in the City of Golden. Rents have escalated much faster than salaries, and the City is both hearing from people that they can no longer afford to live in the town where they grew up, and continuing to grapple with effective policy approaches to bringing additional affordable housing to Golden. There are only two family LIHTC developments in Golden – Golden Pointe, allocated credits in 2008, and the Altitude development, allocated credits in 1995. **It is important to note that by the time the Golden Gateway Apartments project is placed in service, the Altitude project, with 50 LIHTC units, will have only 7 years remaining on its extended compliance period.** The 60 units proposed for Golden Gateway Apartments **will only slightly offset the loss of affordable housing units** in Golden if the Altitude project exits the LIHTC program.

The conclusions in the market study clearly state the many strengths the development team believes this project offers to Golden and the western edge of the Denver MSA:

- “Residing in a predominately-residential neighborhood, but also near several major employment concentrations, with excellent views of the foothills, **the location of the proposed subject development is fairly unique in the greater Denver metro area.**”
- “Currently, the **Golden apartment vacancy rate for 9-50-unit projects is 3.0%** (since no data is reported for 51-99-unit complexes in Golden). Among competing properties to the subject, the highest vacancy rate is a mere 1.9% and that is the only peer group vacancy rate above 0.0%. Furthermore, there is **only one vacant restricted-rent unit in the peer group.**”
- “Overall, the proposed subject property is **well located within its market area and to its targeted residents** in terms of anticipated project design, floor plans and target rents. Its unit mix and the strong unit demand in this area should **insure its ultimate success**. Its location on two major thoroughfares just outside of downtown Golden, near shopping and employment opportunities, and adjacent to stops on major bus routes should also be a major plus for prospective tenants not to mention its close proximity [to] a major light rail line.”

In short, the proposed project appears poised for long-term operational success, and will serve a vitally important need for more workforce housing units in the increasingly popular and very tight Golden rental market, while potentially serving Denver’s western suburbs more broadly as well.

*b. Readiness-to-proceed*

The project will be **ready to proceed into full design development** immediately upon allocation of the LIHTC. **The site is correctly zoned** and the building has been designed to be fully compliant with all requirements of the form-based Community Mixed Use – Neighborhood Center zoning district, including the parking requirements. The only two remaining public actions required (which will occur simultaneously) are (a) a special use permit to allow the development to proceed with 100% residential instead of 75% residential / 25% commercial, and (b) a vacation of a portion of the alley that cuts through the site mid-block and a dedication of an equivalent area of land to allow the alley to exit onto Jackson Street instead of 24<sup>th</sup> Street.

In 2016, the development team went **all the way through the Special Use Permit and Site Plan Review process** with the Golden Planning Commission for the prior proposal. To advance that process, the team held two separate neighborhood meetings (more than required) on May 24 and July 28, 2016, to address neighborhood concerns about the project, affordable housing, and the design. By October 2016, the project had received the necessary Special Use Permit for 100% residential and Site Plan approval for a design that is much denser than the current proposal. The project even received a challenge from a neighbor to the Planning Commission's approval, which was **adjudicated by the Golden City Council and upheld in favor of approval**. The development team will hold additional meetings in late 2017 as required to discuss the current proposal with neighbors and interested stakeholders, and anticipates that the current, less dense proposal will receive similar approval both for the special use permit and for the alley vacation/dedication and be ready to apply for building permits in early 2018.

As noted above, the City of Golden has completed the re-mapping process of the flood zones around Kenney's Run through FEMA, and once the FEMA public comment period ends on June 23, 2017, **the new flood map, ameliorating previous flood zone conditions, will go into effect**.

**All of the project financing has been preliminarily committed or financing applications will only be accepted once the project receives an allocation of LIHTC**, and for the preliminarily committed funds it is only a matter of administrative process to secure final approval for this funding and go through final due diligence and documentation to bring these funds to the project.

*c. Overall financial feasibility and viability*

**The project has been designed to maximize non-CHFA financing**, and includes preliminary financing interest from city, county, and state subordinate sources, and a significant first mortgage supported, in part, by revenue from a preliminarily committed JCHA Housing Assistance Payment contract for project-based vouchers for the 30% AMI units. Of the \$19.2 million total development cost, **nearly 33% of the projected funding is from sources not derived from LIHTC equity**.

The first mortgage has been sized using a conservative rate assumption, with a 50bps cushion applied to the sizing of construction loan interest and a 20bps cushion applied to the permanent loan, which will be locked at closing, on 35-year amortizing debt with an 18-year term. Using standard 2/3 trending, **the project begins 1.15 debt coverage in year 1**, and trends upward for 30 years.

Evergreen Real Estate Group took particular care to **validate its construction pricing** in the Denver market, given the strong inflationary pressures of recent years. Evergreen worked with **Taylor Kohrs Construction** to develop pricing for the application, but **also consulted at a detailed level with Alliance Construction Services and Palace Construction** to validate pricing information. Two

of the three of the contractors confirmed that the projected construction budget of about \$10.3 million is appropriate for the site, the type of construction, and the level of finishes and amenities. The third suggested pricing somewhat above the \$10.3 million level, but we expect that clarification of project scope, value engineering and trade buy-outs, and the reduction/elimination of contractor's contingencies as scope is better defined will allow us to hit the construction market at the budgeted level and contract to build the project **starting approximately one year from the date of CHFA application** without needing to seek additional resources beyond those identified here.

*d. Experience and track record of the development and management team*

**Evergreen Real Estate Group principals bring nearly 100 years of combined experience in the affordable housing industry** in various roles as owner, lawyer, consultant, property manager, educator, architect and urban planner. Founding principals Larry Pusateri, Jeffrey Rappin and Stephen Rappin have **developed nearly 2,200 units of low- and mixed-income housing** in Illinois, Indiana, and Wisconsin, using the full range of affordable housing financing programs, from 4% and 9% LIHTC, to HOME and CDBG funds, to Section 8 and RAD resources. Jeff Rappin is a former General Counsel for one of Chicago's largest market-rate and affordable developers and has been involved as an attorney and/or principal in over a billion dollars of real estate transactions. Director of Development David Block developed more than \$200 million in complex, mixed-use and mixed-income projects in Illinois, Wisconsin, Connecticut, Kentucky, Rhode Island and Massachusetts, both in his former role as a development director for a national non-profit developer (overseeing portions of three HOPE VI projects), and now in his role leading Evergreen's development staff. The Evergreen Real Estate Group team currently has **2 LIHTC projects under construction, 2 projects scheduled to close and start construction by Fall 2017, another 5 projects actively under development** (a mix of 9% and 4% projects), and a number of projects in the application phase. Evergreen has also received recent accolades and prestigious commissions: the Aurora St. Charles Senior Living project, a complex adaptive reuse of a beautiful Art Deco former hospital, was the featured project in the **Illinois Housing Development Authority's 2016 online annual report**<sup>3</sup>, and the company was also selected by the Chicago Housing Authority, in partnership with the City of Chicago, to develop two of three new high-profile sites to **include mixed-income senior housing and new 16,000-square-foot branches for the Chicago Public Library**.<sup>4</sup>

**Evergreen Real Estate Group has nearly 20 years of experience managing affordable and market-rate rental properties. EREG manages more than 6,500 units of housing in nine states (including Colorado)**, with a mix of market rate, affordable, senior, and special needs properties, many covered by HUD operating subsidy contracts. EREG principals, individually and together, have developed 23 separate operating tax credit developments in three states (Illinois, Indiana, Wisconsin) totaling more than 2,000 units, with additional awarded projects now under development in Illinois and Wisconsin. (Evergreen's only currently managed property in Colorado, the Western Hills apartment complex in Colorado Springs, is market-rate.) Its director of property management, Polly Kuehl, has more than 30 years' experience in the management of affordable and mixed-income housing, and sits on the Board of Commissioners for the Housing Authority of Cook County, one of the largest public housing authorities in the country. EREG has a property management staff of more than 200 people, including accounting, compliance, human resources, and other corporate staff, and dozens of site staff at the company's 58 sites.

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<sup>3</sup> See <http://www.ihdafy16.com/> and [http://ihdafy16.com/portfolio-item/multifamily\\_lending/](http://ihdafy16.com/portfolio-item/multifamily_lending/).

<sup>4</sup> See <https://www.dnainfo.com/chicago/20170519/irving-park/race-is-on-build-independence-library-before-funding-door-slams-shut>.

EJ Architecture, based in Lakewood, **has cultivated a specialization in designing high-quality affordable multifamily housing.** Elizabeth Johnson, the firm’s owner, has nearly twenty years of experience in all areas of design and construction from traditional architecture to design-build. Her depth of knowledge coupled with an inspired leadership style results in effective project management with an eye for detail and a commitment to design excellence. Elizabeth has extensive experience dealing with community meetings, city councils and planning commissions. She has a strong technical background, and is a LEED Accredited Professional committed to supporting a sustainable community. Additionally, she has **extensive experience working on affordable housing projects that utilize the Low-Income Housing Tax Credits** awarded by CHFA. She has completed multiple projects for local Housing Authorities and has extensive knowledge of the process from design inception to tenant occupancy.

**Taylor Kohrs is a full-service general contractor** that prides itself in the diversity of its projects and the flexibility of its teams. Their teams work hard to deliver a successful project experience through a personalized, collaborative, and honest approach. Throughout its 33-year history, Taylor Kohrs has built projects ranging from new construction, remodels, adaptive re-use and tenant build outs to design-build and site development. Taylor Kohrs also has **extensive experience with multifamily and LIHTC projects**, and is familiar with all regulatory requirements such as Davis-Bacon wage rates. Recent CHFA-funded experience includes Canterbury Apartments, Lincoln Terrace, Avondale Apartments, Yale Station Work Force Housing, Ash Street Apartments and Willow Street Apartments.

*e. Cost reasonableness*

**Taylor Kohrs Construction has extensive experience with both LIHTC and market-rate multifamily development**, and their preliminary cost estimate draws on their historic corporate cost database to validate the proposed project’s costs. Taylor Kohrs, EJ Architecture, and Evergreen have been working in a collaborative and iterative fashion to design building systems consistent with the budget included in this application. The costs included in this budget – approximately \$172,500 per unit plus a 5% contingency, **are fully consistent with recent, escalated construction pricing at Davis-Bacon wage rates in the Denver metropolitan market.**

All other soft costs, including financing costs, are based on direct review of professional service fees in the market, or on conversations with lenders and investors about rates and terms relating to debt and equity placement. Because of the strong cashflow, Evergreen is **deferring nearly 50% of its allowable developer fee** to keep overall project costs down. We believe that the total development cost of just under \$320,000 per unit (5% less than last year’s proposal despite the significant increase in land costs), including nearly \$62,000 per unit in land acquisition costs in the very tight Golden market and more than \$6,000 per unit in water/sewer and construction materials use fees (partially rebated to the project, after credit for current units on site), is reasonable and appropriate given current economic conditions for development around the Denver metropolitan area.

*f. Proximity to existing tax credit developments*

There are only **three existing LIHTC developments in Golden** (and beyond Golden City Limits, in the entire PMA identified for this project): the Lewis Court senior development, allocated credits in 2010, essentially across the street from the proposed Golden Gateway project; the Golden Pointe family development, allocated in 2008; and the Altitude development, allocated more than 20 years ago, in 1995, and now in the last decade of its extended compliance period. The study notes that the Lewis Court property is age-restricted, so does not directly compete with the proposed project.

If the Altitude development, with 50 LIHTC units, exits its extended LIHTC compliance period in 2026 (only 7 years after our proposed project is scheduled to be placed in service) and is not renewed or re-syndicated, **Golden faces a potential net gain of only 10 units of LIHTC housing even if the Golden Gateway Apartments project is approved.** The market study also notes that there is only one vacant unit out of 674 cited as comparables, a vacancy rate of one-tenth of one percent – effectively zero vacancy in the submarket.

*g. Site suitability*

The site selected for the Golden Gateway Apartments is nestled into a **quiet residential neighborhood on the edge of downtown Golden**, and yet is readily accessible by car, bus, bike, or walk to all the necessary amenities of living. The site has been a residential location since 1907, only 48 years after the founding of the City of Golden during the Gold Rush of 1859. There are no recognized environmental conditions on the site. The site is on **three major bus lines** serving downtown Golden, downtown Denver, Boulder, and several stops on the “W” light rail line, so transportation access is excellent. The site has a **WalkScore of 57-61** (depending on which parcel is selected), considerably higher than any of the selected comparable properties, and the site is within **an easy walk or very short bike ride of all major urban goods and services**, including two full-service grocery stores.

FEMA has accepted the City of Golden’s engineering analysis of its flood control improvements along Kenney’s Run, and **the 100-year Flood Plain has been dramatically reduced** and this site’s flood concerns ameliorated in the published **Letter of Map Revision**, which will go into effect on June 23, 2017, barring any public comments that require analysis. As noted in the market study, “The proposed subject property will be one of only three tax-credit family/workforce housing developments in the Golden area. **Its location on Ford Street, within blocks of two grocery stores, within feet of the high school and three major bus routes, and a short distance from both downtown Golden and the W light rail line, is excellent.**”

**5. Waiver Justifications**

*Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA’s minimum).*

**No waivers of any underwriting criteria are requested or required.**

*Justification of the financial need for CHFA’s DDA credit up to 130 percent of qualified basis.*

We are not requesting CHFA DDA credit. In fact, although the project is in a QCT, we are requesting slightly less than the amount of LIHTC the project would otherwise qualify for **even if the site were not in a QCT.**

**5. Issues raised by the market analyst in the market study submitted with your application**

The market study is almost uniformly positive. The one suggestion, which Evergreen will certainly take into consideration, is to include dishwashers in all units, including the one-bedroom units. As a cost-saving measure, the team has proposed dishwashers in only the 2BR and 3BR units. If awarded LIHTC, Evergreen will discuss this issue further with CHFA, the market analyst, and the contractor to determine the trade-offs required to include dishwashers in one-bedroom units.

**6. Issues raised in the environmental report submitted with your application**

There were no recognized environmental conditions (RECs) identified on or around the project site. The site does include older housing units, which will be demolished as part of the redevelopment of

this site. The environmental report noted the potential presence of asbestos, lead-based paint, and mold in these older buildings. If selected for LIHTC, Evergreen will contract for an asbestos report to determine what abatement methods are required prior to the demolition of the existing housing units. The project budget includes an allowance of \$40,000 to demolish the existing single-family homes and obsolete JCHA property included in the project site and an environmental budget of just over \$40,000; it is anticipated that demolition crews will use lead-safe work practices, and the very small amount of mold identified at one site can be demolished using similar safe work practices.

### **7. Unusual features and costs / cost containment opportunities**

The single largest cost driver of the proposed project, apart from the construction cost of the building, is **the cost of purchasing property**. At nearly \$62,000 per unit, the price of land represents nearly 20% of the project budget. It is important to note that with this high cost of land comes many beneficial characteristics for potential tenants: **good transit access**, excellent access to **fresh food, strong schools** (GreatSchools.org has rated the elementary, middle and high schools serving this site at 9/10, 7/10, and 7/10, respectively), proximity to a wide range of **employment opportunities**, and ready access to Golden's strong quality of life including many **recreational opportunities, mountain views**, and a **rich cultural life**. While CHFA is not including "areas of opportunity" as a project rating criterion for 2017, we believe that this site meets most, if not all, of the common definitions of an "area of opportunity" and ultimately the tenants will benefit greatly from this investment in a well-resourced but expensive portion of metropolitan Denver.

By expanding the project site to include the Jefferson County Housing Authority parcel, the development team has proposed a project that **stretches scarce public resources much farther**. Our proposed per-unit project costs have dropped from more than \$338,500 in 2016 to \$319,900 in 2017, a **5.5% decrease despite continuing increases** in the property and construction markets. Our **requested LIHTC per unit has dropped** from \$23,295 in 2016 to \$20,833 in 2017, a reduction of more than 10%. The project team is maximizing all non-CHFA financing to ensure project feasibility.

### **8. Describe the outreach within the proposed community and demonstrate local support**

Please see *4.b Readiness-to-proceed* discussion, above. The project team has been in continuous contact with the City of Golden and has reached out to the neighbors for two neighborhood meetings and two public hearings (planning commission and City Council) for the previous (2016) version of the project, and the current proposal addresses the key concerns neighbors and the planning commission raised about the project in 2016, particularly density and open space. The current proposal is approximately 25% less dense than the prior proposal and features much more generous neighborhood open space. See also attached letters of support from Mayor Sloan, the City Planning and Economic Development staff, and the Golden Urban Renewal Authority at the City of Golden. If selected for an LIHTC allocation, the project team will meet again with the neighborhood to describe changes to the project.

### **Exhibits to Narrative**

Exhibit A: Articles and background information on Golden affordable housing

Exhibit B: City of Golden planning documents

Exhibit C: Jefferson County Housing Authority interest letter for Project-Based Vouchers

Exhibit D: FEMA Letter of Map Revision

Exhibit E: Information from May 24, 2016 and July 28, 2016 public meetings



# pab lihtc application narrative



**Project Name:** Golden West Communities – Independent Living – The Towers

**Project Address:** 1055 Adams Circle, Boulder, CO

## **Executive Summary:**

Golden West Communities' (GWC) mission is to provide quality housing and related services to persons aged 62 and older in an environment that is supportive of the senior residents and the local community. GWC was founded by the First Christian Church in 1965. Their efforts answered a need for senior housing in the Boulder area. Since then, the community has grown to include housing for independent and assisted living – The Towers and The Mezzanine. GWC has led the way for outstanding living options in the Boulder area based on its number one strength - its people. The Towers is led by Mr. John Torres, Executive Director, Mr. John McCarthy, Chief Financial Officer, and Ms. Jill Moore, Director of Resident Programs. The Towers provides outstanding independent senior living for seniors 62 and older in the Boulder area, and will utilize the upgrades and financing structure herein to expand the number of LIHTC affordable units 90% of total units.

The Towers is currently comprised of 252 total units comprised of 140 studios, 110 ones and 2 two bedroom units. During rehab, the unit count will be reduced to 249 rentable units due to the combining of four studio units into two 2- bedroom units. This change is in response to needs seen over the recent past for a slighter higher availability of 2-bedroom units for rent. Affordability will be 12 units at 50% AMI, 214 units at 60% AMI, and 23 units at market. Units will be an average of 490 square feet for the studios, 540 square feet for the 1-bedrooms, and 970 for the 2-bedrooms. After renovations, each unit will have through wall air conditioning, vinyl plank floors, blinds, a coat closet, storage closet, refrigerator, stove/oven and disposal.

The Towers is comprised of a 12 - story and 13 – story, high-rise elevator serviced buildings built in 1965 and 1971, respectively. They have brick veneer exteriors with cement and stucco accents, varied elevation and flat roof. Units are served off of central internal corridors with both stair and elevator access. Buildings were constructed under the HUD 202 program and there continues to be a HUD rent restriction of 70% and 80% AMI which remains in place for approximately an additional 6 years. Further, the City of Boulder has provided funding in the past that has created the 12 units restricted at 50% AMI. Building renovations include upgrades to the office area, vestibule/entry and dining area. The building exteriors will be repaired as needed. Common area amenities and security features will include on-site management, laundry facilities, a business center, game room, café/dining area, wellness center, library, terrace area, limited access entries and security cameras. The tenant services will include an optional dining program, resident activities and support services.

## **Financing Structure:**

Financing for the Towers will come from the following sources:

1. The Private Activity Bond allocation is requested at \$30.0 million, which is 52% of the Total Development

Costs and this amount will be used during the construction period with no taxable tail. The Construction Loan will be provided by US Bank with CHFA acting as Conduit Issuer. The financing will be a private placement with US Bank.

2. The PAB Construction Loan will convert to a \$10.0 million permanent loan, again, with US Bank.
3. An annual 4% LIHTC allocation of \$1,880,557 is currently estimated and requested, and will be sold for \$0.92 per LIHTC to US Bank. US Bank has significant experience in transactions of this type, and will observe all applicable 'substantial user' requirements. The PAB and LIHTC resources support the approximate \$50,000 per unit rehab as well as other associated deal related costs.
4. The existing land will be leased to The Towers by GWC ownership entity on preferred terms and conditions so as to reduce the overall capital and operating costs for this needed community resource.
5. The current Replacement and Bond reserve accounts at US Bank, estimated at \$1.66 million will be utilized for project financing.

**Project's Alignment with CHFA Priorities:**

*Projects serving Homeless Persons and/or Projects serving Special Needs:* Although not technically serving residents that meet the definitions as defined in Section 5.B.5, there is significant anecdotal data as generated by GWC that numerous of their residents are only able to have stable living options because GWC properties will accept Tenant Based Vouchers and other financial supports. Further, many residents at the Towers have physical and mental disabilities that require the living accommodations and services provided by GWC.

**Projects Alignment with Guiding Principles**

*Support rental housing projects serving the lowest income tenants for the longest period of time:* The Towers has targeted 12 units at 50% AMI, 214 units at 60% AMI and 23 market rate units. The market rate units, pursuant to the HUD restrictions, will serve residents at or below 80% AMI. Of the 226 LIHTC units, it is currently estimated by GWC that as many as 56 of its current residents in the Towers receive rental assistance through Tenant Based Rental Assistance vouchers, and, therefore, have significantly lower incomes relative to the 50% or 60% AMI calculations. The Towers has also elected to maintain affordability at these levels for a total of 40 years. Finally, although The Towers is an existing facility, it is not now controlled by a LIHTC LURA. Therefore, this application provides for a 'new' 226 units of LIHTC affordable, senior housing in Boulder, CO.

*Provide distribution of housing credits across the state including rural area:* The Towers will be only the second age-restricted LIHTC property in the City of Boulder.

*Provide opportunities to a variety of qualified sponsors both for-profit and non-profit:* Formed in 1965, GWC is one of the oldest, non-profit senior housing organizations in Boulder, CO.



***Distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing:*** The Towers serves senior citizens age 62 or older, and will be only the second age-restricted LIHTC property in Boulder, CO.

***To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail and light rail:*** The Tower's walk score is 53 which makes it 'somewhat walkable' in comparison to the average Boulder walk score of 60. However, its transit score and bikeable scores are 21% and 3% higher than those same categories for Boulder. The Towers does have walkable areas within the greater GWC campus thereby providing an exercise outlet.

***Reserve only the amount of credit to make any project financially feasible:*** The \$1,880,557 in annual 4% LIHTC requested in this application is constrained by both the GAP and Basis calculations, and is supported by several other sources including current cash reserves. Further, the 'per unit' LIHTC request is \$7,552, a very low 'per unit' request, or less than half the other Boulder 'senior housing' application.

## **How the Project Meets QAP Criteria in Section 2**

**Market Conditions:** An analysis that uses CHFA's guidelines for senior units, severely understates the demand for the subject's age-restricted LIHTC living units. First, 220 of its tenants have incomes that are below the LIHTC 60% AMI income limits and can qualify to continue to occupy the subject's proposed 226 LIHTC units. The remaining 23 have incomes above the LIHTC limits, but meet the HUD income requirements and are eligible to continue to live in The Towers 23 non-tax credit units. After renovation, tenant rents will not increase. Second, there is one existing age-restricted LIHTC property in Boulder. The Tower's proposed rents are between 4% and 8% below the effective gross rents at that LIHTC development. Further, The Towers proposed rents are 36% to 63% below surveyed weighted average Class B market rate effective rents and 24% to 40% lower than Class C market-rate averages. While there are numerous additional market rate, age-restricted units in existence and on the planning block, The Towers will compete very well due to being 100% full at this time, having significantly lower rents with reasonably comparable amenities in comparison to the competition, and the renovation will provide significant property improvements.

**Readiness to Proceed:** The Towers has conducted a complete and thorough Property Condition Assessment, has designed a rehab program through its architect that meets GWC residents' needs and desires, and has received a significantly detailed cost estimate from a well-respected General Contractor. It has also received significant financing LOIs from US Bank, the current GWC lender, for both a construction/perm loan and LIHTC Investment. Pending approval and the usual and customary time for due diligence and closing, The Towers will more than meet its estimated timeline and CHFA criteria for carryover.

**Overall financial feasibility and viability:** Although affordable, age-restricted rental operations are complicated, especially in today's political and economic environment, GWC has successfully navigated these waters since 1965 in its operation of The Towers. The PAB and LIHTC values will be utilized for rehab and associated transaction costs, and will provide sufficient resources to efficiently rehab the buildings. Further, utilization of the existing Replacement and Bond reserves in the capital stack gives additional financial support.

**Experience and Track Record of the Team:** Please see the following Executive Team resumes:

Mr. John Torres has served in the aging services field for more than 40 years, including 20 years as GWC's executive director. A native of Boulder County, John is involved with the Colorado Association of Homes and Services for the Aging (former executive director, president, board member and mentor) and the American Association of Homes and Services for the Aging (AAHSA). In 2002, John was awarded the Pacesetter Award by the Boulder Daily Camera for his leadership in aging services in Boulder County. Despite a busy schedule, John takes time to help nurture future leaders through mentoring, and in 2005, he was awarded the Dr. Herbert Shore Outstanding Mentor Award by AAHSA. Mentoring is one of his most rewarding activities.

Mr. John McCarthy received his master's degree in corporate accounting and finance from Michigan State University. He began his financial career with Omni Hotels as assistant controller, overseeing general accounting functions and reporting. His career developed rapidly, leading him to become a director of finance with Interstate Hotels and Resorts. After 15 years of managing the financial processes of for-profit entities, his focus turned to mission-driven work, drawing him to the world of nonprofits and to Golden West. His goal is to further the mission of Golden West through solid financial strategy and support.

Ms. Jill Moore has nearly 20 years of experience in senior recreation and service management, having worked for other senior living communities and several senior recreation centers. She has degrees in human rehabilitative service and recreation administration with an emphasis in gerontology.

Solvera/Medici Developers LLC has been hired to manage the rehab, costing, financing and overall project management on behalf of GWC. Brought in by the GWC Board of Directors and Board consultant, Mr. Rodger Hara, Solvera/Medici has significant (over 20 years) experience at managing all levels of this type of transaction.

Finally, GWC has contracted with Mr. Paul Malinowski to provide Property Management services including staff training, initial leasing review, LIHTC file management, and other associated skills for LIHTC financed transactions. GWC staff has successfully navigated the HUD requirements from its previous financing structure, and is fully committed to the changes required in undertaking a LIHTC financing as contemplated.

**Cost Reasonableness:** In support of the GC bid of work, Solvera/Medici has reviewed this estimate with two other firms and believes the current estimate to be a reasonable bid based on today's market. Overall per unit development costs total \$238,256 which includes the acquisition of the real estate improvements only. The land will be leased by GWC to The Towers thereby not utilizing any PAB or LIHTC resources for the purchase of said land. Approximately \$53,000 is associated with the project rehab. This figure equates favorably to the cost of high-rise, steel and concrete new construction which could easily exceed \$275,000 per unit. This combination of ownership support and \$53,000 in rehab dollars makes this request very reasonable.

**Proximity to Existing Tax Credit Developments:** Based on information from the Market Study, the PMA has 19 LIHTC projects containing 1,139 income-restricted units. Of these, three are deeply subsidized projects with 275 units, and only one is age-restricted with 59 dwelling units. Given the length of time these units have been providing senior affordable housing in Boulder, The Towers represents the single most significant senior affordable rental housing resource in the City.

**Site Suitability:** The Towers were fully constructed by 1972. It has operated in its current capacity since that time. It shares 32 on-site parking spaces that it shares with The Mezzanine. Although its parking does not meet current zoning standard, The Towers was constructed before adoption of the current zoning ordinance and is a legal, nonconforming use.

**Provide the following information as applicable:**

*Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year DCR below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA minimum)* The Towers utilizes a PUPA Operating Expense figure of \$7,300, which is \$2,700 per unit higher than the CHFA target of \$4,600 Operating Expense PUPA for Senior Living operations. This higher figure is attributable to a much higher level of service provision and some less than efficient operating expenses, such as, high maintenance (some gain to be received through the renovations) and utility costs (Towers pays all resident utilities). It is anticipated, although not calculated, that these areas will improve with the property rehab. The 15-Year Pro Forma has a declining Net Operating Income beginning in Year 1 at a 1.36:1 DCR. While this calculation would normally be a detriment to a project's financial feasibility, The Towers has sized its Permanent Loan to achieve a 1.20:1 DCR by the end of Year 15. This target is considered important and necessary due to The Towers significant service provision and the Board's mandate to maintain fiscal conservancy during the entire 15 year period.

**Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:**

The Towers is in a Qualified Census Tract within the City of Boulder and, therefore, does not need the DDA qualified basis increase.

**Address any issues raised by the market analyst in the market study submitted with your application:**

Per the Market Study, the PMA has demand insufficient to absorb the 1,174 new units in the development pipeline without causing the vacancy to rise above a balanced level. However, no new senior LIHTC projects are planned or under construction in the PMA and the subject's renovation will not increase the PMA's rental inventory. The key responses to this issue include all 1,174 new units are market rate, some with significantly higher cost service levels and target income residents, there are NO new LIHTC senior projects planned or under construction, and The Towers is fully leased now, will not displace units either during the rehab or due to income qualification changes relative to this financing.

The Tower's one-bedroom unit size is 21% smaller than the surveyed weighted average. Its below average one-bedroom unit size has not impeded its ability to attract and maintain tenants as a project restricted to tenants with incomes below 80% of the area median. Its one-bedroom unit sizes will not have a negative effect after renovation, when the subject will have deeper income restrictions. Again, the key issues being no relocation during renovation or because of the income qualification changes, Towers is already fully leased, and the target rents are well below market rent levels.

The Towers has 32 off-street open parking spaces that it shares with GWC's assisted living and market-rate independent living projects. Because this parking situation and mitigations have been in place for numerous

years, it is not anticipated that the supply of on-site parking spaces will impede The Tower's ability to remain fully occupied.

Although the addition of dishwashers to the subject's rehabilitation scope of work could improve its marketability, the lack of dishwashers will not adversely affect its market appeal. Again, The Towers is fully leased without this amenity, the residents often utilize the optional food service options for meals, and the target rents being well below those market rate properties that often this amenity should give The Towers the ability to remain very competitive and fully leased.

**Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:** Due to the age of construction, the Phase One noted the probable existence of asbestos and lead based paint in the property. Significant allowance for remediation of any encountered elements such as these has been accounted for in both the financing structure and the scope of work by the GC. All appropriate and required safety precautions and construction/remediation techniques will be utilized and operating manuals are in place and/or will be updated.

**Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment.** The most significant issues affecting costs are (1) due to the age of the building, the probable existence of asbestos and lead based paint in the building and (2) the highly competitive construction market for labor. First, as noted above, all precautions, financial and construction estimate wise have been taken to mitigate this issue as best as possible. Two, the GC is highly respected and has a large pool of subcontractors is typically does business with, thereby, again, mitigating this issue as much as possible.

**In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):** GWC has been in operations at this location since 1965. It is well known to the City of Boulder staff and City Council members. GWC's Board of Directors is made up of highly competent and respected local individuals including a former head of the Planning and Zoning department and a former Law Department head at the University of Colorado. Further, the City of Boulder Housing Department has been engaged with GWC for at least 10 years and has been brought into the discussions about this transaction since the beginning. Attached to the application are support letters from the City and County of Boulder as well as Boulder Housing Partners.

**For acquisition/rehab or rehab projects, provide a detailed narrative that describes the proposed rehab plans and relocation plan (if applicable).**

All rehab will be conducted with residents in place. GWC will hold some units 'vacant' during the rehab and offer them as a 'hospitality' unit for those residents that either need or want to stay away from their units during any part of their rehab. Regardless, GWC has estimated a reasonable Relocation Budget in the Development Budget as a contingency to any and all issues that may arise.

**The 10-year rule:** Mr. Paul Smith of Bryan Cave law firm will be the LIHTC attorney for this project, and is reviewing the 10-Year Rule issue. Based on the research, The Towers meets all 10-Year Rule requirements.

**Capital expenditures over the past two year:** The last GWC funding from the City of Boulder was in 2012.

**Previous related party relationships:** None

**Past local, state or federal resources invested in the project:** Last funding in 2012 was for \$375,000 to pay for certain window and air conditioning equipment improvements in 115 units of the Independent Living building.

**Obvious design flaws and obsolescence issues:** The most difficult issues are the tight site for construction preparation and staging purposes, the age of the original construction including the possible asbestos and lead based paint issues, and the desire to conduct the rehab with residents in place.

**Safety issues:** There are no unusual or extraordinary safety issues other than something related to the information in the aforementioned Design Flaws and Obsolescence section.

**Owner Statement of Strengths and Benefits:**

1. The Towers is 97% occupied and the PMA's senior LIHTC units are 100% occupied with a waitlist. Although the PMA has only 11 60% AMI units, there are no new age-restricted LIHTC units planned or under construction.
2. Of the proposed 226 LIHTC affordable units at The Towers, 220 of The Towers current residents have incomes 60% AMI or less.
3. The Tower's renovation will upgrade the property and allow it to compete more effectively for residents. The Towers proposed renovated amenity package, condition and tenant services will allow it to match the strong performance of the existing senior LIHTC and income-restricted projects in the PMA.
4. The Tower's location and project amenities are generally comparable or slightly superior to all surveyed LIHTC And mixed-income properties in the PMA.
5. The Tower's studio and two-bedroom unit sizes are 1% and 11% above the surveyed average.
6. Over the next two years, the PMA is projected to gain 93 senior (62+) renter households annually and The Towers is the only senior LIHTC project in the pipeline.
7. The Towers proposed rents are under the Payment Standards for Boulder and, therefore, tenants with Housing Choice Vouchers could rent at The Towers without contributing more than 30% of their incomes for rent and utilities. Further, potential residents with Housing Choice Vouchers account for 25% of the tenants at the PMA's senior income-restricted projects.
8. The utility costs at The Towers are 100% owner-paid, which is atypical for the PMA. Tenants will not be

responsible for any utilities, including basic cable.

9. The proposed rents are 36% to 63% below surveyed weighted average Class B market rate effective rents, and 24% to 40% lower than Class C market-rate averages.
10. The resident services include an optional dining program that provides three meals per day as well as 24/7 program staff that provide housekeeping and program services.
11. The Towers also affords a significant opportunity to place existing, but heretofore not-LIHTC restricted units under the LIHTC LURA. This point, coupled with the ongoing mission and support of the Sponsor, GWC, will assure that low income seniors within the City of Boulder will have an affordable living option.

# 9% lihtc application narrative



**Project Name:** Golden West Communities – Assisted Living – The Mezzanine

**Project Address:** 1055 Adams Circle, Boulder, CO

## **Executive Summary**

Golden West Communities' (GWC) mission is to provide quality housing and related services to persons aged 62 and older in an environment that is supportive of the senior residents and the local community. GWC was founded by the First Christian Church in 1965. Their efforts answered a need for senior housing in the Boulder area. Since then, the community has grown to include housing for independent and assisted living – The Towers and The Mezzanine. GWC has led the way for outstanding living options in the Boulder area based on its number one strength - its people. The Mezzanine is led by Mr. John Torres, Executive Director, Mr. John McCarthy, Chief Financial Officer, and Ms. Stephanie Schuler, Director of Assisted Living. The Mezzanine provides the only assisted living program accepting Medicaid in the Boulder area, and will utilize the upgrades and financing structure herein to expand the number of Medicaid patients it can serve from approximately 75% of total units to 90% of total units.

The Mezzanine is currently comprised of 56 'studio' units. During rehab, the unit count will be reduced to 54 rentable units due to the combining of two units into a single, 1-bedroom unit and one studio unit being converted to a service provision area. This change is in response to needs seen over the recent past for caregivers and/or family members that need to be involved in 'overnight' service provision. Affordability will be 5 units at 30% AMI, 45 units at 60% AMI, and 4 units at market. Units will be an average of 307 square feet (450 square feet for the one-bedroom), and will include large windows, storage area, emergency call system, individually controlled thermostats, air-conditioning and walk-in showers. After renovations, each unit will have wall air conditioning, carpet, blinds, an upgraded emergency call system, handicap access bathroom with grab bars and walk-in shower, closet and a refrigerator.

The Mezzanine is a five-story mid-rise elevator serviced building built in 1986. It has a brick veneer exterior with cement and stucco accents, varied elevation and flat roof. Units are served off of central internal corridors with both stair and elevator access. Building renovations include demolition and refurbishment of acoustic insulation, drywall, doors, flooring, paint, lockers, as well as renovations to the electrical, mechanical and fire sprinkler systems. The roof will be replaced, and paving and landscaping improvements will be made. These major improvements will utilize the Enterprise Green Communities Energy Efficiency criteria. Common area renovation improvements, amenities and security features will include on-site management, laundry facilities, business center, café/dining area on each floor, wellness center, library, terrace area, limited access entries and security cameras. The tenant services will include a dining program, 24/7 program staff, medication management, in-house physician visits, assistance with showers, wellness checks, and social, educational, cultural and wellness support and opportunities.



Financing for the Mezzanine will come from two sources. First, an annual 9% LIHTC amount of \$509,319 is requested and will be sold for \$0.88 per LIHTC to US Bank. This resource is requested with no associated acquisition credit which allows for the majority of the LIHTC to fund the approximate \$68,000 per unit rehab as well as other associated deal related costs. Further, the existing land will be leased to The Mezzanine by GWC on preferred terms and conditions so as to reduce the overall capital and operating costs for this needed community resource. Finally, GWC, from internal resources generated through the sale of its Flatirons Terrace building and Developer Fees earned on both The Mezzanine and the Independent Living transaction, will provide any funds necessary to complete the financing structure.

### **Project's Alignment with CHFA Priorities**

*Projects serving Homeless Persons and/or Projects serving Special Needs:* Although not technically serving residents that meet the definitions as defined in Section 5.B.5, there is significant anecdotal data as generated by GWC that numerous of their residents are only able to have stable living conditions because GWC properties will accept Tenant Based Vouchers, Medicaid payments, and other financial supports. Further, especially at The Mezzanine, many residents have acute physical and mental disabilities that require the living accommodations and services provided by GWC.

### **Projects Alignment with Guiding Principles**

*Support rental housing projects serving the lowest income tenants for the longest period of time:* The Mezzanine has targeted 5 units at 30% AMI, 45 units at 60% AMI and 4 market rate units. Of the 50 LIHTC units, 42 are currently Medicaid recipients, which mean they have significantly lower incomes relative to a 60% AMI calculation. The Mezzanine has also elected to maintain affordability at these levels for a total of 40 years. Finally, although The Mezzanine is an existing facility, it is not now controlled by a LIHTC LURA. Therefore, this application provides for a 'new' 50 units of LIHTC affordable, senior housing in Boulder, CO.

*Provide distribution of housing credits across the state including rural area:* The Mezzanine is the only Assisted Living LIHTC application in the City of Boulder.

*Provide opportunities to a variety of qualified sponsors both for-profit and non-profit:* Formed in 1965, GWC is one of the oldest, non-profit senior housing organizations in Boulder, CO.

*Distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing:* The Mezzanine serves senior citizens age 62 or older, and is the only Medicaid accepting Assisted Living operation in Boulder, CO.

*To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail and light rail:* The Mezzanine's walk score is 53 which makes it 'somewhat walkable' in comparison to the average Boulder walk score of 58. However, its transit score and bikeable scores are 22% and 3% higher than those same categories for Boulder. It should be noted that these scores primarily relate to the staff and

service provider efficiency to and from The Mezzanine as most, if at all, residents are not as mobile as the general population and do not drive. Also, The Mezzanine does have walkable areas within the greater GWC campus thereby providing an exercise outlet.

**Reserve only the amount of credit to make any project financially feasible:** The \$509,319 in annual 9% LIHTC requested in this application is constrained by both the GAP and Basis calculations, will be utilized in providing only the rehab costs and attendant project transaction costs, and is supported by GWC providing Gap funding in excess of its Developer Fee calculation. Further, the 'per unit' LIHTC request is \$9,432, a very low 'per unit' request, or less than half the other Boulder 'senior housing' application.

### **How the Project Meets QAP Criteria in Section 2**

**Market Conditions:** An analysis that uses CHFA's guidelines for senior units, severely understates the demand for the subject's assisted living units. The Mezzanine's rents will allow it to serve Medicaid recipients with incomes as low as \$6,880. The Market Study capture rate analysis, which reflects the subject's pro-forma rents and underwriting standards, indicates that there are 180 potential tenants for the subject's assisted living units. The subject will need to capture 27.7% of that figure to achieve full occupancy of its 50 LIHTC units. And coupled with the fact that The Mezzanine, at the time of the Market Study, only had 3 available units, the Market Conditions for continued occupancy are excellent.

**Readiness to Proceed:** The Mezzanine has conducted complete and thorough Property Condition Assessment has designed a rehab program through its architect that meets GWC residents' needs and desires, and has received a significantly detailed cost estimate from a well-respected General Contractor. It has also received significant financing LOIs from US Bank, the current GWC lender, for both a construction loan and LIHTC Investment. Pending approval and the usual and customary time for due diligence and closing, The Mezzanine will more than meet its estimated timeline and CHFA criteria for carryover.

**Overall financial feasibility and viability:** Although Assisted Living operations are significantly complicated, especially in today's political and economic environment, GWC has successfully navigated these waters since 1986 in its operation of The Mezzanine. The LIHTC value will be used for rehab and associated transaction costs only, which do not include acquisition of existing buildings. Further, GWC, through its related Independent Living transaction, will receive sufficient funds to provide for the infusion of Owner Equity.

**Experience and Track Record of the Team:** Please see the following Executive Team resumes:

Mr. John Torres has served in the aging services field for more than 40 years, including 20 years as GWC's executive director. A native of Boulder County, John is involved with the Colorado Association of Homes and Services for the Aging (former executive director, president, board member and mentor) and the American Association of Homes and Services for the Aging (AAHSA). In 2002, John was awarded the Pacesetter Award by the Boulder Daily Camera for his leadership in aging services in Boulder County. Despite a busy schedule, John takes time to help nurture future leaders through mentoring, and in 2005, he was awarded the Dr. Herbert Shore Outstanding Mentor Award by

AAHSA. Mentoring is one of his most rewarding activities.

Mr. John McCarthy received his master's degree in corporate accounting and finance from Michigan State University. He began his financial career with Omni Hotels as assistant controller, overseeing general accounting functions and reporting. His career developed rapidly, leading him to become a director of finance with Interstate Hotels and Resorts. After 15 years of managing the financial processes of for-profit entities, his focus turned to mission-driven work, drawing him to the world of nonprofits and to Golden West. His goal is to further the mission of Golden West through solid financial strategy and support.

Ms. Stephanie Schuler is Director of Assisted Living. Stephanie comes from a family of healthcare professionals. She began her career in the healthcare field as a C.N.A., working in home care and memory care assisted living. Once she earned her degree, a Bachelor's of Science in Healthcare Administration, she made the move to management, working first as a resident services coordinator and then as a director of memory care at assisted living communities. Drawn to nonprofits and missing the day-to-day interactions with residents, she's found her place at Golden West.

Solvera/Medici Developers LLC has been hired to manage the rehab, costing, financing and overall project management on behalf of GWC. Brought in by the GWC Board of Directors and GWC Board consultant, Mr. Rodger Hara, Solvera/Medici has significant (over 20 years) experience at managing all levels of this type of transaction.

Finally, GWC has contracted with Mr. Paul Malinowski to provide Property Management services including staff training, initial leasing review, LIHTC file management, and other associated skills for LIHTC financed transactions. GWC staff has successfully navigated the HUD requirements from its previous financing structure, and is fully committed to the changes required in undertaking a LIHTC financing as contemplated.

**Cost Reasonableness:** In support of the GC bid of work, Solvera/Medici has reviewed this estimate with two other firms and believes the current estimate to be a reasonable bid based on today's market. Overall per unit development costs total \$100,420. Of that figure, approximately \$68,000 is associated with the project rehab, or 68%. Further, reserves equate to \$1,093 per unit and other transaction costs are \$14,271 per unit. Finally, of the remaining \$9,667 per unit associated with the Developer Fee, GWC will loan back \$940,644 or \$17,419 per unit to the project financing. This combination of ownership support and high utilization of the LIHTC for property specific rehab improvements makes this request highly reasonable.

**Proximity to Existing Tax Credit Developments:** Based on information from the Market Study, the PMA has 19 LIHTC projects containing 1,139 income-restricted units. Of these, three are deeply subsidized projects with 275 units, one is age-restricted with 59 dwellings and 15 are non-age restricted properties that have 805 dwellings. The subject will be an assisted living facility. There are **no** income-restricted assisted living units in the PMA. The subject is the **only** age-restricted assisted living facility in the development pipeline.

**Site Suitability:** The Mezzanine was constructed in 1986. It has operated in its current capacity since that time. it is the only age-restricted assisted living facility accepting Medicaid. It features 36 covered parking stalls and 14 uncovered reserved spaces located in a tuck-under garage beneath the improvements. It shares certain common

area amenities with GWC Independent Living including outdoor amenities.

**Provide the following information as applicable:**

Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year DCR below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA minimum) The Mezzanine utilizes a PUPA Operating Expense figure of almost \$25,000, which is \$5,000 per unit higher than the CHFA minimum Operating Expense PUPA for Assisted Living operations. This higher figure is attributable to a higher level of service provision and some less than efficient operating expenses, such as, high maintenance and utility costs. It is anticipated, although not calculated within any analysis for this application that these areas will improve with the property rehab.

The 15-Year Pro Forma has a declining Net Operating Income beginning in Year 1. While this calculation would normally be a significant detriment to a project's financial feasibility, The Mezzanine will have no 'hard pay' debt, is designed to operate basically at a breakeven cash flow, and will be continually supported by GWC who will already have \$940,644 invested in the property. Further, the Golden West Foundation, with resources of approximately \$1.0 million will continue to utilize its resources in support of The Mezzanine.

**Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:**

The Mezzanine is in a Qualified Census Tract within the City of Boulder and, therefore, does not need the DD qualified basis increase.

**Address any issues raised by the market analyst in the market study submitted with your application:**

The subject's studio and one-bedroom unit sizes are between 8% and 16% smaller than the overall surveyed weighted averages at assisted living facilities, but are comparable to the other project that accepts Medicaid recipients. The subject's below average unit sizes have not impeded its ability to attract and maintain tenants as a project that targets Medicaid recipients, as well as lower income households who cannot afford to live at the PMA's private pay assisted living facilities. Although The Mezzanine has not found any such issue with its leasing activity and occupancy figures to date, GWC will continue to utilize its strengths (strong mission, personal attention and staffing, and lower price) to meet any competition that might arise from the slightly smaller unit sizes.

Although the addition of kitchenettes to the subject's rehabilitation scope of work would improve its marketability, its lack of kitchenettes will not adversely affect its market appeal at its pro-forma rents, which compensate for its competitive disadvantages. Again, GWC has not realized any negative occupancy impacts from this issue, especially as it relates to its Medicaid residents. Further, the excellent pricing of the units, the high level of staff service provision and the excellent general amenities has continued to outweigh the potential negative effect of this issue.

**Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:** Due to the age of construction, the Phase One noted the probable existence of asbestos and lead based paint in the property. Significant allowance for remediation of any

encountered elements such as these has been accounted for in both the financing structure and the scope of work by the GC. All appropriate and required safety precautions and construction/remediation techniques will be utilized and operating manuals are in place or will be updated.

**Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment.** The most significant issues affecting costs are (1) due to the age of the building, the probable existence of asbestos and lead based paint in the building and (2) the highly competitive construction market for labor. First, as noted above, all precautions, financial and construction estimate wise, have been taken to mitigate this issue as best as possible. Two, the GC is highly respected and has a large pool of subcontractors is typically does business with, thereby, again, mitigating this issue as much as possible.

**In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):** GWC has been in operations at this location since 1965. It is well known to the City of Boulder staff and City Council members. GWC's Board of Directors is made up of highly competent and respected local individuals including a former head of the Planning and Zoning department and a former Law Department head at the University of Colorado. Further, the City of Boulder Housing Department has been engaged with GWC for at least 10 years and has been brought into the discussions about this transaction since the beginning. Attached to the application are support letters from the City and County of Boulder.

**For acquisition/rehab or rehab projects, provide a detailed narrative that describes the proposed rehab plans and relocation plan (if applicable).**

**The 10-year rule:** Mr. Paul Smith of Bryan Cave law firm will be the LIHTC attorney for this project, and is reviewing the 10-Year Rule issue. Based on the research, The Mezzanine meets all 10-Year Rule requirements.

**Capital expenditures over the past two year:** The last funding to GWC from the City of Boulder was in 2012.

**Previous related party relationships:** None

**Past local, state or federal resources invested in the project:** Last funding in 2012 was for \$375,000 to pay for certain window and air conditioning equipment improvements in 115 units of the Independent Living building.

**Obvious design flaws and obsolescence issues:** The most difficult issues are the tight site for construction preparation and staging purposes, the age of the original construction including the possible asbestos and lead based paint issues, and the desire to conduct the rehab with residents in place.

**Safety issues:** There are no unusual or extraordinary safety issues other than something related to the information in the aforementioned Design Flaws and Obsolescence section.

### **Owner Statement of Strengths and Benefits:**

The Mezzanine's assisted living LIHTC units, which will service Medicaid recipients, will need to capture 27.7% of the area's income-qualified renter households to attain full occupancy. This capture rate is attainable because:

1. The units are 94% occupied. All of the tenants have incomes that would enable them to inhabit the units after renovation.
2. The units are now occupied by 51 tenants, including 50 who have incomes that are below the LIHTC limits. The Mezzanine can achieve its capture rate by allowing its current tenants to remain in their units.
3. All of the units will appeal to persons on Medicaid. The PMA's assisted living units that accept Medicaid is 100% occupied and have waitlists. The private pay units have a 1.4% vacancy rate.
4. Over the next two years, the PMA will add 85 seniors who have self-care limitations, including persons who have incomes in the subject's target price ranges.
5. There are no assisted living projects that serve low-income persons that are planned or under construction in the PMA.

The assisted living facility that accepts Medicaid was built in 1986 and 1994. Compared to this property, The Mezzanine has a similar location and common amenities, slightly inferior unit features and the same level of personal care services. The proposed 30% and 60% AMI studio rents are between 17% and 23% less than the Medicaid rents, and its market-rate studio rent is \$22 less than the private pay rent charged by this facility.

The PMA's inventory of assisted living facilities is primarily composed of developments that do not accept Medicaid and appeal to households with incomes above the subject's target income range. The units at The Mezzanine that accept Medicaid recipients are 100% occupied with waitlists. There are no new senior assisted living facilities in this target price range planned or under construction in the PMA.

Each of the units will include wall air conditioning, vinyl plank flooring, blinds, a coat closet, and refrigerator. Its unit amenities are slightly superior to the assisted living facility that accepts Medicaid, which lacks refrigerators.

After renovations, the project amenities will include on-site management, laundry facilities, computer room, game room, wellness center, library, terrace area and a dining room with kitchen on each floor. These common amenities are comparable to the property that also accepts Medicaid residents and to three of the four private pay facilities.

The tenant services include a dining program that provides three meals per day as well as 24/7 program staff that provide housekeeping, linen and personal care services. The only other surveyed assisted living project that accepts Medicaid recipients, has slightly superior services because it also provides transportation services.

The utility arrangement and estimated expenses will not change as a result of renovations. The property will use gas for heat and hot water, and electricity for general purposes and cooking. Tenants will not be responsible for any utilities, including basic cable.

In May 2017, the Market Study denotes the average surveyed vacancy rate of the 19-surveyed apartment projects in the PMA was 1.7%, including 0.0% at the units that accept Medicaid, 1.4% at private pay assisted living units, 2.0% at market-rate, independent living units, and 1.9% at income-restricted, independent living units. The Mezzanine has maintained an average occupancy rate of 94% over the last six years.

The Mezzanine will not have difficulty retaining its required market share because its rehabilitation will improve its condition. The PMA has an increasing number of residents who need assisted living and has sufficient demand to absorb the units that are in its development pipeline. The Mezzanine's location and project amenities are generally comparable to other assisted living projects. Although it has inferior unit features, its proposed rents, which are less than competing Medicaid and private pay facilities, compensate for its competitive deficiencies and allow it to serve low income persons who cannot afford the private pay facilities that dominate the PMA's assisted living inventory. After renovation, The Mezzanine will help alleviate the PMA's shortage of assisted living units for Medicaid eligible households and successfully attract and maintain tenants.

The Mezzanine also affords a significant opportunity to place existing, but heretofore not-LIHTC restricted units under the LIHTC LURA. This point, coupled with the ongoing mission and support of the Sponsor, GWC, will assure that low income persons within the City of Boulder will have an affordable assisted living option.

The Mezzanine also utilizes the strength of GWC and its related Independent Living property to leverage a very low 9% LIHTC request, the proceeds of which will be used primarily to rehabilitate the physical building. This financing structure leverages the LIHTC in the most efficient way.



# 9% lihtc application narrative



## TheHighlands2

825 Bookcliff Avenue, Grand Junction, Colorado, immediately adjacent to The Highlands at 805 Bookcliff Avenue, Grand Junction, Colorado, collectively referred to as TheHighlandsCampus.

### INTRODUCTION

As the first LIHTC development for seniors in Mesa County, The Highlands Campus has set a high standard for attractive, service-enriched affordable housing. The Highlands Campus addresses a significant unmet need for affordable senior housing in Grand Junction. Its central location facilitates the provision of community-based wellness services to its residents by several local service providers, most at no cost to the residents. Located on the Grand Valley Transit (GVT) bus routes and close to healthcare, retail, dining and social opportunities, The Highlands Campus has an integrated Wellness Focus that will support active seniors' quality of life and will allow them to age in place with dignity and grace. Stitched together seamlessly, the two developments will share elevator access and common indoor and outdoor amenities.

### THE DEVELOPMENT: Highlands 2

The Highlands 2 will be a 4-story apartment community, committed to a deep level of affordability, and will serve residents with a range of incomes from 30% to 60% of Area Median Income. Connected to The Highlands, The Highlands 2 is located near North 7<sup>th</sup> Street, just 2 blocks southeast of St. Mary's Hospital. The 1.363 acre infill development site makes efficient use of existing infrastructure, at a density of 52.94 units / acre. The land for the development was acquired in August 2013, and has been master planned as a senior campus with entitlements for 136 units.

The 72 apartments are to include 60 one-bedroom, one bath units and 12 two-bedroom, one and one-half bath units. Six apartments will be fully ADA accessible.

The interior boasts four community gathering spaces with free Wi-Fi, and 3 smaller resident-amenity spaces, and maintains access to all amenities in The Highlands, including fitness and exercise rooms, a business center / computer lab, classroom, craft room, library and TV lounge. A shared first floor Bistro area encourages social gatherings, pot-lucks and cooking classes that support seniors' healthy lifestyles. Larger gathering spaces are available for use by all Highlands residents near the elevator core in The Highlands 1. Centralized Laundry rooms on each floor, in each phase, will be convenient

for residents' use. On-site Property Manager & Service Coordinator will support residents of The Highlands Campus.

The building's exterior will be an attractive mix of brick and stucco. The exterior shared amenities are equally impressive, including a large semi-covered patio, beautiful landscaped grounds, raised garden beds and a walking path. A selection of outdoor seating areas will provide both sunny and shady areas throughout the day. A local service organization will bring a weekly free farmers market to the property each summer. GVT bus stops are located immediately adjacent to the sidewalk in front of the property.

The units will serve a range of residents' incomes as illustrated on the following page:

	30%	40%	50%	60%
One Bedroom – 600 – 661 s.f.	13	13	17	17
Two Bedroom -- 865 – 872 s.f.	3	3	3	3
<b>TOTAL:</b>	16	16	20	20
<b>% of Total:</b>	22.2%	22.2%	27.8%	27.8%

The apartments will be bright and welcoming, with 9 foot ceilings, Energy Star appliances, walk-in closets and large windows that provide abundant natural light. Interior finishes will be beautiful and durable, including tile walk-in showers and LVT flooring. The open kitchen / dining area will accommodate residents' dining furniture. As a special amenity, each apartment has a balcony or patio. The floorplan was thoughtfully designed to allow good circular flow. A resident or guest using a wheelchair or walker can easily circulate through the space without encountering any dead-end corners. Consistent with its wellness focus, The Highlands 2 will be a smoke-free building.

#### THE WELLNESS FOCUS

The building has been thoughtfully designed with several amenity areas on site for both programmed activities and for resident's independent use. The Wellness Focus has been integrated into all aspects of community living, from building design to a dynamic menu of senior-specific services provided by local human services organizations, most at no cost to the residents. A full Services Plan has been developed to address the five key aspects of Senior Wellness. See attached.

Helping seniors to better age in place has numerous benefits for the residents' quality of life and for the community at large. A supportive environment that encourages seniors to be active and engaged may keep seniors healthier longer and may delay or eliminate the need for costly hospitalization or nursing home care.

#### EnergyEfficiency:

The Highlands 2 will meet the Enterprise Green Community Standards, and includes the following energy efficient features:

- Reduced Heat-Island Effect Roof
- Low flow water fixtures
- Energy Star rated appliances
- Use of untreated rainwater from a regional irrigation ditch system for irrigation
- Energy-Star Advanced Lighting Package
- Photo Voltaic Ready
- Resident Recycling centers on each floor
- Electricity individually metered to each apartment

- Passive Radon venting system
- 30% Green Space
- Regional Material Selection and 25% Construction Waste diverted from landfill
- Compact development, density of approximately 53 units / acre
- Infill location which makes efficient use of existing infrastructure
- Close to Grand Valley Transit bus stops on two separate bus routes

## GUIDING PRINCIPLES / HOUSING PRIORITIES

The Highlands 2 responds to CHFA’s Guiding Principles and Housing Priorities by:

- ❖ Serving households at the lowest levels for the longest time – The Highlands 2 will serve households between 30% and 60% of AMI, with a 50 year commitment.
- ❖ A minimum of 22% of the units will serve households at each 30%, 40%, 50% and 60% AMI. All units will be affordable.
- ❖ Building in a Qualified Census Tract, which contributes to a concerted community revitalization plan
- ❖ Locating affordable housing within one-half mile of public transportation
- ❖ Adding affordable senior housing to a community with a population under 175,000. Mesa County’s population is estimated at 148,255 (2014, U.S. Census)

## CRITERIA FOR APPROVAL

**Market Conditions:** The Market Study documents strong demand for more affordable housing for seniors in Mesa County. The Highlands Campus will be the first LIHTC development in Mesa County to focus on the specific needs of seniors. An overall capture rate of 8.6% is indicative of this demand. Existing LIHTC family communities managed by GJHA experience an occupancy rate between 96.6% and 98.6%. The first phase of The Highlands is fully leased in its first month of operations.

**Readiness-to-Proceed:** GJHA is committed to bringing the Highlands 2 to Grand Junction now and is highly invested in its success. GJHA acquired the land in August 2013. The City of Grand Junction approved GJHA’s unopposed request to rezone the property to Planned Development in January 2015. Subdivision of the land, Site Plan approval and a Planning Clearance have been received. On May 2, 2017, The Highlands 2 was issued a BuildingPermit by the Mesa County Building Department.

## FINANCIALFEASIBILITYANDVIABILITY:

**Cost Containment:** GJHA and its Design-Build team have worked hard to hold down costs throughout this development, based in part on lessons learned from the first phase, on selecting less expensive finishes, and economies of scale particularly from underground utilities from the overall development.

As compared to the first phase of The Highlands campus, The Highlands 2 has achieved:

✓ Lower Hard Cost per Square Foot:	\$176	vs	\$198
✓ Lower Hard Cost per Unit:	\$164,821	vs	\$203,682
✓ Lower Total Development Cost per Square Foot:	\$245	vs	\$264
✓ Lower Total Development Cost per Unit:	\$229,541	vs	\$271,776

GJHA has assembled a complete financing package to make this development financially viable in light of the current tumultuous LIHTC equity markets. We sought additional investment from historical sources and sought new financing sources. Final financing will be subject to competitive proposals, but the current financing strategy includes the following:

- The City of Grand Junction has committed to invest \$309,230 toward the Development Impact fees and Tap Fees due from The Highlands 2.
- A grant application will be submitted to the State of Colorado, Division of Housing for \$864,000. Our conversations with CDOH staff suggest that CDOH will be receptive to our application, particularly due to the degree of low income targeting.
- Conversations with CHFA for a permanent mortgage are reflected in the attached Term Sheet. Additionally, a second mortgage under the Heathy Homes Loan Program is anticipated. An application will be submitted in June, 2017.
- Wells Fargo Bank as Construction Lender, see attached Term Sheets.
- Wells Fargo Affordable Housing Community Development Corporation has provided a Letter of Interest for the LIHTC Equity at \$.96 per \$1.00 of Tax Credits, which reflects the investors' evaluation of the quality of the Highlands 2 and its Sponsor.
- GJHA has agreed to defer \$297,752 of its Developer Fee.
- In addition to these sources, GJHA has committed to loan up to \$1,483,230 to the development, in the form of 2 sponsor loans,

Operating Expenses: Keeping pace with the needs of over 140 seniors will require both an on-site Property Manager and a full time Service Coordinator. This higher staffing level and the maintenance of the generous amenity areas call for an increased operating budget.

In keeping with CHFA's underwriting criteria, the development is projected to operate with a minimum of 1.15 to 1 Debt Coverage Ratio throughout the first 15 years of the compliance period.

EXPERIENCEANDTRACKRECORD:

Over the past 22 years, GJHA has successfully developed 1 Senior and 4 family developments with LIHTC funding, with a clean record of compliance. GJHA owns and operates 11 affordable rental properties and administers over 1,250 Housing Choice Vouchers.

GJHA's senior management is experienced in development and management of affordable housing. CEO Jody Kole has led GJHA for 25 years. COO Scott Aker joined GJHA in December, 2017. The attached resume for GJHA outlines its strong 40-year history of successful development and management of affordable housing.

GJHA collaborated with the respected Design-Build Team of OZ Architecture and Shaw Construction to complete the successful Village Park development in 2013 and the pre-development work for The Highlands 1. The Highlands 2 will benefit from the continuity and efficiencies achieved by keeping this talented development team together.

Shaw Construction is the leading affordable housing builder in Colorado and has current, relevant experience with the Enterprise Green Communities standards, as well as an outstanding reputation for the timely completion of affordable developments. With more than 10,000 units completed throughout Colorado, Shaw's multi-family experience is unparalleled.

OZ Architecture has extensive experience in multi-family housing development, including affordable and market rate units in both Front Range and Western Slope communities. The attached Resumes of each of our partners demonstrate the strength of this team.

COSTREASONABLENESS:

The cost of The Highlands 2 has been demonstrated as lower in many respects than its predecessor The Highlands (phase 1). When evaluated with comparable costs of similar Senior Housing projects in the region, The Highlands 2 is very price competitive. Part of the reason is that the general economy in Grand Junction has not recovered as much as that in the Front Range, keeping trade costs lower than other regions of the state. We estimate that cost escalation on the West Slope and the Grand Junction area will continue to increase at an accelerating rate, both due to inflation in materials and a shortage of skilled workers, as many have relocated to the Front Range where construction work is easily obtained & may be more lucrative.

PROXIMITYTOEXISTINGTAXCREDITDEVELOPMENTS:

The closest existing LIHTC development is The Highlands, the first phase of this consolidated senior campus, which opened and fully leased in May 2017. It is immediately adjacent to The Highlands 2, and will be adjoined upon completion of this, the second phase of the development.

Arbor Vista is a family development located at 515 Court Road, approximately 2 miles away from The Highlands Campus. Village Park, another family development, is also approximately 2 miles east of The Highlands campus.

#### SITESUITABILITY:

The site is exceptionally well-suited for this development. An infill site, it makes economical use of existing infrastructure. The multi-family senior development provides a good buffer between the commercial land uses to the north and west of the site and the residential uses to the south and east. The proximity of health care, retail and other amenities and the immediate availability of GVT bus service adjacent to the property are ideal.

#### MARKET ANALYSIS

The Market Analyst reported no Project Weaknesses.

#### ENVIRONMENTAL ISSUES

The Phase One Environmental Site Assessment identified no evidence of recognized environmental conditions. This is a very clean green-field site.

#### COMMUNITY OUTREACH

GJHA participated in the Housing Colorado Design by Community Design Charrettes for this site in 2014. Participants in the Charrette included two potential residents, three employees of the City of Grand Junction (Public Works and Engineering, Community Development and Fire Department), two representatives of committed service-providers, a general contractor, GJHA employees and architects and architectural students from the University of Colorado at Denver.

A neighborhood meeting was held to discuss the proposed rezoning in late 2014. At the City Council's public hearing on rezoning, neighbors actually spoke in favor of the rezoning and the development. No opposition was voiced at the neighborhood meeting or the public hearing.

We presented The Highlands proposed development plans to the Mesa County Council on Aging. The group was excited to learn of the proposed development and voted unanimously to support the development. The local AARP Alliance voted to support The Highlands 2 development.

GJHA Service Coordinators have been consulted to ensure that we have addressed key issues of importance to low income seniors. GJHA staff has met with several local human service providers whose work focuses on the needs of seniors. To date each organization has agreed to bring services

to The Highlands Campus, most at no charge to our residents. The accompanying Services Plan and the Letters of Support demonstrate the success of this outreach.

## ADDITIONAL DOCUMENTATION

### TheHighlands2ServicePlan

#### Letters of Support from

- Mayor Phyllis Norris, Mayor of Grand Junction
- Dan Prinster, Vice President Business Development, St. Mary's Medical Center
- Christy Whitney, CEO & President of HopeWest
- Kay Ramachandran, Executive Director, Marillac Clinic
- Elizabeth Collins, Transportation Planner, Mesa County Regional Transportation Planning Office
- Sue Conry, Hilltop Home Care Director , Hilltop Community Resources
- Jeff Kuhr, PhD, Executive Director, Mesa County Health Department
- Chris Thomas, President & CEO of Community Hospital
- Lisa Fenton-Free, Executive Director, Rocky Mountain Health Plans Foundation



# 9% lihtc application narrative



Project Name: Kappa Tower II

Project Address: SWQ Northfield Blvd. and Central Park Blvd.

## Introduction:

Kappa Tower II @ Stapleton will be a 70 unit senior housing (age 62+) community located at Northfield and Central Park Blvd. in the Stapleton redevelopment area, one of the country's most highly regarded master planned communities. Stapleton has been designed to provide the following neighborhood amenities within walking distance: shopping, recreation, transit, and services. Stapleton has also been designed to provide a range of housing types and price points to a diversity of residents. The Stapleton Affordable Housing Plan requires the provision of free land to qualified not for profit developers of affordable rental housing. In response to an RFP Forrest City recently selected Kappa Housing Incorporated to develop and operate the next affordable project in Stapleton, Kappa Tower II @ Stapleton.

Kappa Housing Inc. ("KHI"), will be the owner and developer of the property and its property management affiliate will be the management agent for this project. KHI is a 36 year old 501 (c)(3) nonprofit corporation in good standing and organized for the purpose of providing housing for low and moderate income senior citizens. KHI owns the Kappa Tower apartments located at 2160 Downing Street, in the Five Points neighborhood of Denver; this 45 unit subsidized senior housing project was developed in 1984. KHI's board has elected to hire a consultant to assist in the development of the proposed project. This consultant is a partnership between two of Colorado's leading developers of affordable housing: Medici Consulting Group and Solvera Advisors. KHI's management company has 35 years of experience managing HUD 202 senior affordable housing and HUD 226 multi-family affordable housing projects totaling 141 units in Colorado.

KHI will have the opportunity to expand its housing offering to the Stapleton *Northfield* area, and believes that the services and community partnerships they have formed can successfully be expanded to this vibrant, growing neighborhood in a manner that will benefit the Stapleton community for years to come. Stapleton has become what our market analyst termed as a "destination location," meaning the area has proven to consistently draw residents regionally from throughout the Denver area. Historical information and statistics back up that on average throughout Denver, senior properties draw in excess of 40% of their residents from out of

market areas. With regard to Stapleton in particular, Ross Management has provided information that at its Northfield Stapleton Apartment, a tax credit funded family project, only 5 of the first 84 residents (6%) had moved to the property from within the primary market area. To emphasize the point, *94% of of the first residents of Northfield Stapleton Apartments came from outside of the PMA.*

Kappa Management Inc., is a for profit entity created in 1983 as a wholly owned subsidiary of KHI to operate and manage Kappa Tower. The goal in creating the for profit entity was to generate revenues from a portion of their management fees that could be donated to support the Kappa Alpha Psi Scholarship Foundation. The Scholarship Foundation has awarded scholarships since 1972 to deserving young men of color from Denver Metro Area to attend college. The Scholarship Foundation has since its inception awarded over one million dollars to over 750 young men to go to college from the metro Denver area.

#### Executive Summary:

Kappa Tower II is located at the Southwest intersection of Northfield Blvd. and Central Park Blvd. The Southern boundary is 48th Ave which is currently under construction. At the Northeast corner of the site there is an existing bus stop with direct access to Central Park Station to the South. This unique project and location will allow seniors to interact with families in the area and walk to commercial services, retail shops, restaurants and other amenities in the Northfield area. A short walk to the East is Runway 35 Park and The Shops at Northfield Stapleton.

The project will be developed as a four story senior independent living development comprised of 70 residential units and amenities/communal space with surface parking and site amenities. The building is L-shaped with a drop off area at the interior corner opening up to the south. Two elevators and an inviting stair will anchor the lobby. Connected to the lobby area is an array of amenity spaces including a communal kitchen, private dining room, multi-use/flex rooms and fitness/wellness center. On each floor a corner reading nook and chairs will be located where the tenants can enjoy a good book. The building is approximately 64,400 sq. feet and has a mix of 1 and 2 bedroom types. The building is wood frame above a concrete foundation/slab. The building elevation will reflect stacked residential units with large windows

that maximize daylight penetration into the bedrooms and Juliet balconies in the living room. Communal areas where the amenities are located will utilize storefront system and will activate the building and the adjacent street through transparency and appropriate, rich architectural details. The exterior building material will mostly comprise of pre-finished metal panels, brick, and cementitious fiber board.

Between the building (located in the northern portion of the property) and the parking located to the western portion of the lot, the development provides a defined health focused exterior space with communal areas that have southern exposure. Generous landscaping will be provided in these open spaces as well as the following site amenities: raised communal planting beds, shaded seating area with a park like atmosphere for picnicking and cooking out, trellis, and a dog run.

The project will be financed through a contribution of donated land from Forest City along with a reservation of \$1,187,554 in 9% tax credits, which translates to \$11,400,500 in tax credit equity (Wells Fargo - \$.96 pricing), a CHFA risk share loan of \$3,600,000, a loan of \$1.0MM from the City of Denver through the Office of Economic Development, and a grant of \$550,000 from the Colorado Division of Housing that will be structured as a long term subordinate loan.

1. Identify which housing priority in Section 2 of the QAP the project qualifies for: N/A
2. Identify which guiding principles in Section 2 of the Qualified Allocation Plan (QAP) the project meets and why it meets them:

*Affordability:* This project will provide 70 units of housing affordable to households earning 30% - 60% of AMI.

*Distribution of Credits:* The project will be located in a very high cost urban area. But for the foresight of the City of Denver to negotiate the Affordable Housing Plan to make these sites available at no cost, it would not be financially feasible to develop this site as affordable housing.

*Diversity of Populations:* The proposed project will provide much needed affordable senior housing options in the Stapleton redevelopment area and in the City and County

of Denver where 1 in 5 seniors need affordable housing. The only other senior project developed in Stapleton is Clyburn Village, which was developed over 14 years ago. Despite a younger demographic that is characteristic of the Stapleton neighborhood, seniors will continue to migrate to this very appealing, well located neighborhood. It is critical for the continued successful development of Stapleton that well designed, much needed senior independent housing options are provided, especially when there is extremely valuable land contributed to the project at ***no cost***.

*Proximity to Public Transportation:* The project is located immediately adjacent to an RTD bus line which provides immediate access to the Central Park light rail station 10 blocks to the south. Numerous walking and biking paths connect to all points within Stapleton. The Sand Creek trail provides access to regional biking and walking destinations.

*Qualified Sponsors:* KHI- was a visionary in Denver in 1981, when it saw the need for senior affordable housing. It has been a long standing member of Denver's affordable housing community and has never received an award of tax credits in its 35 year history of providing much needed, safe, quality affordable housing in one of the City's most densely populated neighborhoods.

3. Describe how the project meets the criteria for approval in Section 2 of the QAP:
  - a. *Market conditions:* The need for affordable housing in Denver and this area is significant as Stapleton has become one of Denver's most desirable and expensive communities. The vacancy within the LIHTC projects surveyed on our PMA is less than 1%, with all projects maintaining long waiting lists of qualified applicants. While the capture rate for this project is above CHFA thresholds, there are several extenuating circumstances discussed in our market study that substantiate strong market demand for these units. Our market study recommended no changes to the project, and suggested that it would lease up within only two months with no need for concessions. KHI believes based on its past history and the senior affordable housing needs in the area, this project will lease up in less than 2 months.
  - b. *Readiness-to-proceed:* The site is zoned for multi-family (M-IMX-5) and it is a use

by right zone site. KHI has been provided architectural plans and we expect to spend the 6 additional months working with the architects and the City of Denver to develop construction documents and then approximately seven months in permitting. Construction would commence in the second quarter of 2018.

- c. Overall financial feasibility and viability: The proposed affordable rent levels are achievable in the market. In fact, our rents are 26% to 30% below the average Class B affordable rents in the PMA. In addition to the equity raised through the sale of tax credits, the project will utilize a mix of traditional and alternative financial products. A traditional 1<sup>st</sup> mortgage will be obtained through CHFA's risk share loan program. A soft loan of \$1.0MM from the City of Denver Revolving Affordable Housing Loan Fund and a grant of \$550,000 from the Colorado Division of Housing will also be utilized. KHI expects to receive other grants and donations to complete this project.
- d. Experience and track record of the development and management team:

Kappa Housing Incorporated (KHI), will own and co-develop Kappa Tower II @ Stapleton. KHI is a 36-year-old 501(c)(3) private non-profit corporation in good standing, organized for the purpose of providing housing for low and moderate income senior citizens.

KHI engaged MCG/Solvera as its development consultant. MCG/Solvera LLC is a partnership between two of Colorado's most well-known, reputable developers of affordable housing. MCG/Solvera offered experience in all aspects of development, access to capital, and innovative financing and marketing ideas. MCG is Medici Consulting Group, a 20-year-old Denver-based development and construction management organization that has successfully developed \$125 million of affordable housing comprised of 1,151 units throughout Colorado. Solvera Advisors is a 5 year old development organization that, along with its affiliate, MGL Partners, has successfully developed over \$490million of housing, much of it affordable, comprised of 2,380 units, mostly in Colorado. Medici and Solvera responded jointly to a Request for Proposals the KHI published in late 2016. MCG/Solvera have worked jointly as developer consultants in the past with other well know non-profits, including Volunteers of America, Aurora Housing Authority, Metro West Housing Solutions, and Longmont Housing

Authority. Both companies have a strong commitment to affordable housing.

Kappa Management Incorporated (KMI), a for-profit organization will be the managing agent. KMI has 35 years of experience managing HUD 202 senior affordable housing and HUD 226 multi-family affordable housing projects totaling 141 units in Colorado. KMI will be working in collaboration with The Ross Management Group, a woman owned 31-year-old management firm, specializing in tax-credit compliance and Terry and Company, a minority-owned boutique public accounting firm with experience in bookkeeping, accounting, and audit requirements of the tax credit program. Terry and Company principals have a combined 55 years of experience with the tax credit program.

- e. Cost reasonableness: The development team's strong background in construction will produce a high quality project at a competitive price. The project contractor (Alliance Construction) has developed several affordable housing projects on schedule and on budget. MCG and Solerva Advisors have a proven history of developing value engineered, quality affordable communities.
- f. Proximity to existing tax credit developments: There are several existing tax credit projects in the PMA. This speaks to the overall attractiveness and growth of Stapleton over the last 20 years. Many of these are older and smaller tax credit projects. The nearest 9% tax credit project is the Northfield at Stapleton project, however that project serves families. Stapleton has not seen a new senior very low income tax credit project since 2003, which was Clyburn at Stapleton.
- g. Site Suitability: The site is ideally located for senior family development. The site is generally flat with all necessary infrastructure readily accessible, and there are no unusual construction cost concerns. The shops at Northfield are located three blocks west of the project, and offer a wide array of shopping and entertainment options in a pedestrian friendly outdoor shopping configuration.

Parks and Recreation: The Runway 35 park is adjacent to the site and contains fields, sport courts, volleyball, and a community pool. Kappa Tower II @ Stapleton will have its own park like area for its tenants. The broader Stapleton redevelopment area offers a wide variety of open spaces, community facilities, and trails available to all residents of the community.

Public Transportation: Public transportation opportunities are excellent. The project is located immediately adjacent to an RTD bus line which provides immediate access to the Central Park light rail station 10 blocks to the south. Numerous walking and biking paths connect to all points within Stapleton. The Sand Creek trail provides access to regional biking and walking destinations.

4. Address any issues raised by the market analyst in the market study submitted with your application: The required capture rate exceeds CHFA's guidelines. Despite this, the market study concluded that the project is justified due its outstanding location and sufficient demand in the market to lease up within two months or less based on Kappa Housing past experiences. Factors cited include: very strong demand for the existing tax credit properties in the PMA; in-migration into this growing, highly desirable community in the PMA, driven in part by the location of the project near light rail; understated renter household growth in this rapidly developing PMA.
5. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated: N/A
6. Community Outreach:

Kappa Housing Inc., approached Stapleton Development Corporation, the entity which was created to protect the Stapleton Community. The Stapleton Development Corp's primary duty- is to "facilitate the disposition and development of the Stapleton property consistent with the Stapleton Development Plan". The SDC Board supported and endorsed the Kappa Tower II project by stating "The affordable rental housing proposed by KHI is fundamental to the vision of Stapleton as championed in the Stapleton Development Plan....The addition of KHI senior rental housing would assist with meeting this visionary core principle of Stapleton's development as well as satisfy a portion of the great need for additional affordable rental housing in Denver." See letter attached to this narrative.

"Stapleton Foundation's mission is to guide the development of the old Stapleton airport with a focus on education, healthy living, neighborhood connections and affordable housing." The Stapleton Foundation has written a support letter endorsing Kappa Housing IIs project that is contained in our file. It writes in its letter that "This **land donation** by Forest City, the master developer of Stapleton' signals how strong the

support for Kappa Tower II is for this project to move forward.”

Finally, KHI has reached out to several senior service providers in the Stapleton area and a number of them have written letters and or spoke openly about partnering with KHI and welcoming the opportunity to provide additional senior services in the area.

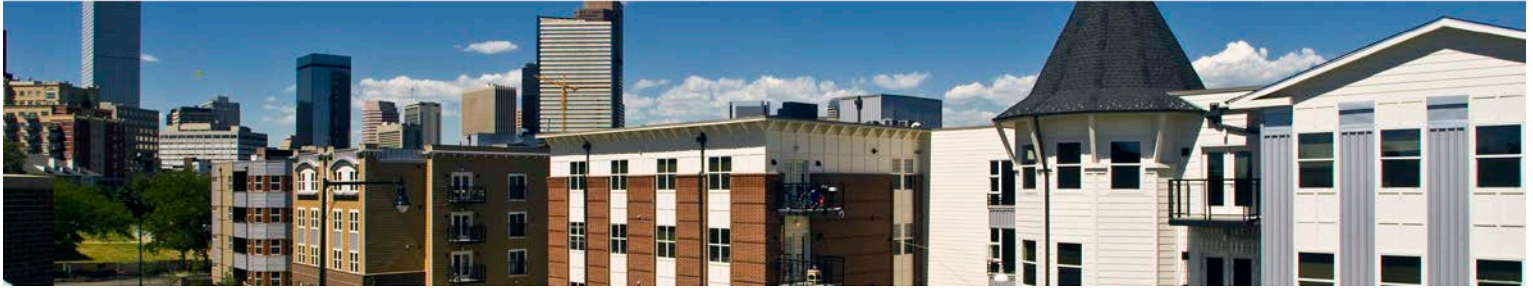
KHI/KMI have been an active service provider in metropolitan Denver corridor for 36 years by providing shelter for seniors and management of multi-family housing. Since the inception of the Kappa Tower II @Stapleton project, development and resident services staff have met with City of Denver Councilmen Chris Herndon, Stapleton Development Corporation and Community Advisory Board (CAB) to introduce the project and the work done by the development partners to provide permanent housing and supportive services at this site. Please see the attached letters of support demonstrating the ongoing collaboration between KHI/KMI and the neighborhood. The project’s programmatic alignment is evidenced by letters expressing intent to provide partnership with Denver Health, SCL Health and funding from CDOH, and the City of Denver OED. In addition, as one of the nation’s only housing providers founded by a fraternal organization - Kappa Alpha Psi Fraternity Incorporated- we are supported and closely observed by dedicated leaders throughout the city and country. This association drives our commitment to empowering young men of color to become leaders through scholarships and ongoing support programs.

***Current Board of Directors of Kappa Housing Inc. and year Appointed***

- |    |                                       |      |
|----|---------------------------------------|------|
| 1. | Dr. Columbus Veasey, Jr PhD           | 1981 |
| 2. | Alonzo Love                           | 1981 |
| 3. | Larry A. Williams. Ret. Esq. Chairman | 1998 |
| 4. | Steven Tutt                           | 2006 |
| 5, | Kevin D. Patrick, Secretary           | 2009 |
| 6. | James O. Deadwiler, Treasurer         | 2012 |
| 7. | Charles Thomas, Vice Chairman         | 2014 |
| 8. | Leonard Newson, Asst. Treasurer       | 2015 |
| 9. | Hon. Wellington Webb                  | 2016 |



# 9% lihtc application narrative



Project Name: Legacy Senior Residences

Project Address: SW Corner of S. Jordan Road and Cedar Gulch Parkway, Parker, Colorado

## **Development Overview:**

Cornerstone Associates, LLC and the Douglas County Housing Partnership are seeking Federal Low Income Housing Tax Credits for the new construction of the Legacy Senior Residences (Legacy). Legacy will be a seventy-two (72) unit affordable, senior-oriented development to be located at the southwest corner of Cedar Gulch Parkway and S. Jordan Road in Parker, CO.

The town of Parker is the second most populous town in Douglas County. In recent years, Parker has become a commuter town at the southeastern most corner of the Denver metro area. As of 2010 the census population was 45,297. The estimated population in 2014 is 49,857. Parker is now the 19<sup>th</sup> most populous municipality in the state of Colorado. With the projected growth of Parker, the new construction of the Legacy would provide housing for a greatly underserved affordable senior market in a rapidly growing urban area. *Parker has not received an LIHTC award since 1999*



Parker residents can generally be described as middle to upper middle class with a median household income of \$80,100 per year, higher than the Denver metro area, but lower than Douglas County. However, not all families currently living in Parker make the median income. 3% of Parker households are below the poverty level. A forecast for Parkers future residential growth was based on recent trends and shifts. The town is expected to grow from a population of approximately 45,000 in 2010 to 57,000 in 2035.

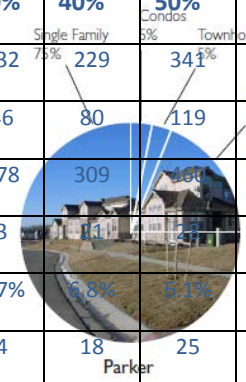
The Legacy development will offer forty (40) one bedroom and thirty-two (32) two bedroom units. Legacy's focus is to attract qualifying seniors with incomes at 30%, 40%, 50% and 60% of the area median income. One hundred percent (100%) of the development will be set aside for qualifying seniors within these income set-asides.

- **Legacy** will serve a diverse population, including the very very low income tenants for the maximum period:
  - 7 % (4) of the units will serve households at 30% of the AMI
  - 25% (18) of the units will serve households at 40% of the AMI
  - 34% (25) of the units will serve households at 50% of the AMI
  - 34% (25) of the units will serve households at 60% of the AMI.
- The new construction of the Legacy will minimally reduce the current demand of affordable housing, as noted in the market conditions shown in Table A.

## DEMAND AND CAPTURE RATE ANALYSIS (Table A)

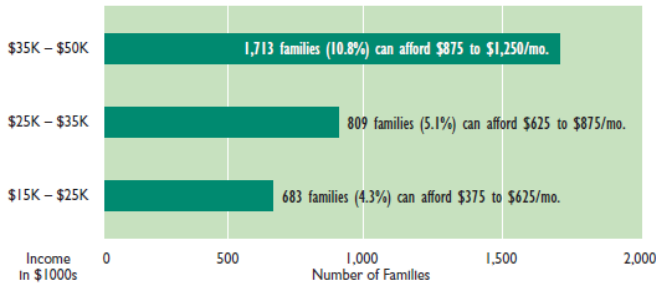
**Housing Affordability:** In general, the cost of housing in Parker is comparable in price to Castle Rock and less expensive than housing in neighboring Lone Tree and unincorporated Douglas County. Apartment rental rates in

Demand and Capture Rate Analysis	30%	40%	50%	60%	Total
Total Renter Households at Market Entry in the Primary Market Area	132	229	341	498	653
In-Migration of Households – 25%	46	80	119	174	229
Total Qualifying Households or Current Demand	178	309	460	672	881
Total Existing Senior LIHTC Units	3	11	25	28	80
Current Capture Rate (Existing Senior Unites divided by Qualifying Households)	1.7%	3.6%	5.4%	4.2%	9.1%
Under Construction / Planned Units (proposed project)	4	18	25	25	72
Total Existing and Under Construction/Planned Units	7	29	50	53	152
<b>Proposed Capture Rate (Total Existing &amp; Planned Units divided by Qualifying Households)</b>	<b>3.9%</b>	<b>12.6%</b>	<b>11.5%</b>	<b>7.9%</b>	<b>17.2%</b>



Parker and Douglas County are higher than those of Arapahoe County to the north and the Denver metro area. A higher demand for rental properties continues to increase rental rates both locally and throughout the Denver metro area. The current low vacancy rate and high quality of life in Parker make the Town attractive for rental apartments. General market conditions suggest that nationally there is a trend towards a higher ratio of rental housing.

Figure 8E: **Housing Affordability in Parker**  
Source: Town of Parker



The demographics of the community are changing and land identified for housing development is becoming increasingly limited. As the cost of land and development in the Town increases, affordability becomes more of an issue. The generally accepted definition of housing

affordability for a household is that no more than 30% of household income should be spent on housing (mortgage or rent). Looking at the median family income in Parker today (\$80,100) and using this definition, this equates to a monthly payment of approximately \$2,270. Although many Parker residents can comfortably afford housing in Town, 20% of Parker families are struggling to find affordable housing. Douglas County will see one of the highest percentage of increases in people over 65. Not only are the residents choosing to age in place, additional older adults are attracted to the area to be near family. Providing housing for our aging demographic and allowing them to stay in the community is important to the Town.

## Comparable Properties, Proximity and Wait List (Table B)

## Parker Transportation Master Plan

Goals and strategies identified in the Master Plan adopted by the Town encourage the increased availability and

Comparable Properties	Address	Rent Structure	Rents	Utilities included in Rent	Proximity	Wait List
Legacy Senior Residences	SW Corner Cedar Gulch & Jordan St. Parker, CO	72 LIHTC (30%-60%) Units	\$470-\$900	All Utilities Paid (Except Phone, Cable & Internet)	N/A	N/A
Parker Hilltop Apartments	19600 Clubhouse Dr. Parker, CO	125 LIHTC (60%) Units  331 Market Units	\$824-\$1,689	Water, Sewer & Trash	1.75 Miles	1 year
Reserve at Castle Highlands	1040 Highland Vista Ave., Castle Rock, CO	200 LIHTC (50%-60%) Units	\$684-\$1,166	Water, Sewer & Trash	10.28 Miles	Does Not keep wait list
Auburn Ridge Apartments	1101 Auburn Dr. Castle Rock, CO	80 LIHTC (30%-60%) Units	\$416 - \$1,038	Heat, Hot Water, Water, Sewer & Trash	10.28 Miles	700+ Households
Trailside Apartments	18139 E. Mainstreet Parker, CO	280 Market Rate	\$1,073 - \$1,808	None	1.05 Miles	None
Watermark on Mainstreet	18588 E. Mainstreet Parker, CO	306 Market Rate	\$1,159 - \$1,999	None	1.25 Miles	None

integration of a variety of housing that supports flexibility, mobility, independent living and services for the elderly and those with special needs; Continue to encourage the development of a full range of senior housing; Integrate senior housing into neighborhoods to promote opportunities for inter-generational connections and continuum of care for the elderly; Seek opportunities to locate housing for those citizens with special needs near transportation services that will make mobility easier.

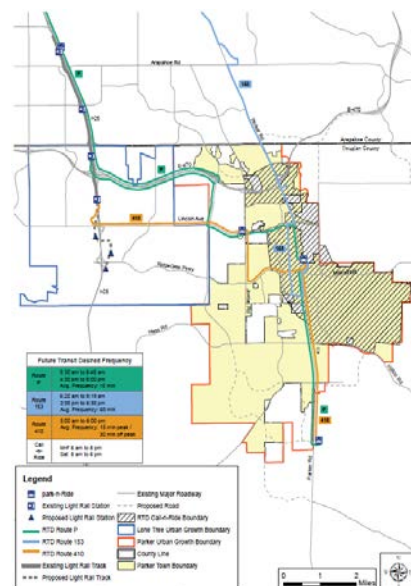
In June of 2014 the Town adopted the Parker Transportation Master Plan as an element of the Parker 2035 Master Plan. The TMP is a foundation policy that established policies, goals and strategies to ensure that the citizens and businesses of Parker have access to a high quality transportation system. The Town established six policies that focus on (1) Integration; (2) Multi-Modal choice and mobility; (3) Interconnection to local and regional access; (4) Design and Maintenance; (5) Health – transportation that offers opportunities for physical activity and healthy lifestyles; (6) Safety – safe transportation for all users.

**Light Rail:** The construction of the T-REX Southeast Corridor project, including the light rail (LRT) line along I-25 to Lincoln Avenue and I-225 to Parker Road provide new transit opportunities for the Town, and the entire southeast community. The LRT stations located at Lincoln Ave and I-25 and Parker Road and I-225 both have a Park-n-Ride with over 1,200 spaces each.

**FasTracks:** RTD's FasTracks plan will extend the Southeast Corridor light rail south 2.3 miles south of Lincoln and I-25 station and will add three additional stops in Lone Tree – Sky Ridge, Lone Tree City Center and RidgeGate parkway. The RidgeGate Parkway Park-n-Ride will function as the new end-of-line station and will accommodate 2,000 spaces.

**Bus Service:** Three routes currently serve the Parker community. Route 153 (Chambers Crosstown) providing service from downtown Parker to Aurora; Route 410 serves as the connection to the I-25 and Lincoln Avenue light rail station; and Route P which serves as a commuter express bus service to downtown Denver.

The Parker Call-n-Ride was established in 2006 in conjunction with the opening of the southeast rail line. The program provides a convenient curb-to-curb service for residents and employees who want to move around the town without driving.



**Public transportation is an essential component in successful planning, community building and decision-making. The proposed site for the Legacy was chosen because of its location to public transit. The project is being developed on a site that has a public transportation bus line along Main St., which is a .16 mile (approx. 800 feet) walk. Legacy residents can access the bus approximately every 30 minutes during the rush hours of the day and hourly during the midday. The bus lines and connections will allow the Legacy tenants the availability**

## **DEVELOPMENT DESIGN AND AMENITIES**



**BUILDING DESIGN:** The Legacy building is designed in a two story “U” shape. The use of a two story floor plan was incorporated to fit in with the overall Bradbury neighborhood design preference. It is located on 5.23 acres. The design of the building makes use of 49% of the land and offers 51% of the remaining land as “green space”. The town of Parker has a requirement of a minimum of 45% green space. Legacy exceeds the minimum requirements.

Legacy will provide (40) one bedroom units and (32) two bedroom units. It provides (6) handicapped units: (3) one bedroom and (3) two bedroom units. Each handicapped unit will be constructed for the physically, visually and hearing impaired.

The building exterior will consist of a combination of brick and stone to compliment the use of either a hardy-board or stucco material. The final brick, stone and stucco design will be determined through the Plan Review process with the City. The intent with the exterior materials is to create a building theme that is contemporary, energy efficient and sensitive to the neighboring area.

**BUILDING AMENITIES:** Key components for tenant satisfaction and retention are the building amenities offered to all the residents. The first floor of the Legacy Senior Residences will contain the primary building entrance with secured access entry; the manager’s office, a formal living room/library that hosts a computer station with free internet access; a dining room with serving kitchen. In addition to these common spaces is a separate elevator lobby with (2) elevators; a central interior mailroom. A veranda that will have patio seating with use of a grill; 24 garages for rent, ample parking and green space for outdoor enjoyment. The second floor will offer a fully equipped multi-station fitness center and a billiards/social room for recreational enjoyment.

**UNIT AMENITIES:** Each of the units will provide a significant array of standard amenities. In addition to the size of the units (approximately 758 sq ft for a one bedroom and 906 sq ft for a two bedroom) tenants will find the following standard amenities: Fully equipped kitchens with Energy Star Rated refrigerator, stove, built-in microwave oven, dishwasher and disposal; High efficiency furnace and water heater; Energy Star Rated electric washers and dryers in each unit; Water conserving faucets, shower heads and bathroom facilities; Wall to wall carpeting; Full windows coverings; Ceiling fans in each room; Cable and internet connections in the living room and bedrooms; Emergency call systems in the bedrooms and bathroom; a patio or balcony with built in storage for resident use.

## **Guiding Principles:**



**1. Guiding principles met in Section 2 of the Qualified Allocation Plan:**

- To support rental housing projects serving the lowest income tenants for the longest period of time. All of the units planned for the Legacy Senior Residences are 100% affordable targeting seniors at the very low (30%) to low income (60%) households. (4) units will target 30% AMI; (18) units will target 40% AMI; (25) units will target 50% AMI; and (25) units will target residents at the 60% AMI. **Legacy has committed to an extended use period of 25 years beyond the required 15-year compliance period for a total of 40 years.**
- To Provide for a distribution of housing credits across the state. Legacy Senior Residences is located in the Town of Parker, Colorado, which has not had a LIHTC award since 1999.
- To provide opportunities to a variety of qualified sponsors of affordable housing, both for profit and non-profit. The sponsors for the Legacy Senior Residences consist of a joint venture between Cornerstone Associates, LLC and Douglas County Housing Partnership, a non-profit based housing authority that serves Douglas County.
- To distribute housing credits to assist in a diversity of populations in need of affordable housing. Legacy Senior Residences will provide an underserved market of affordable senior housing for residences in the town of Parker, **which has not had a LIHTC award since 1999.**
- To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as a bus, rail and light rail. The nearest bus site is within a .16 mile walk from the proposed site.
- To support new construction of affordable rental housing projects. Legacy Senior Residences will provide high-quality new construction of affordable housing for seniors within the town of Parker, a greatly underserved market in a rapidly growing urban area.
- To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period. The Legacy Senior Residences qualifies for \$1,307,131 in annual federal tax credits. With the support of additional financing sources as well as equity contributed by the Developer, the project is asking for \$1,250,000 in federal credits.
- To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval. The Legacy Senior Residences is requesting \$1,250,000 in tax credits for a 72-unit new construction development. The request is for \$17,361.11 per unit of tax credits.

**2. Describe how the project meets the criteria for approval in Section 2 of the QAP:**

- a. **Market conditions:** The need for affordable senior housing in the Parker area is great. The market study illustrates substantial strength of demand. The proposed development will benefit from the pent up demand as evidenced by the extensive waiting lists at comparable properties within Douglas County. The demand analysis illustrates an overall capture rate of 17.29%, based on residents age 62 or better. Market demand, as measured in the market study for this application, identifies capture rates for each set aside. The respective capture rate for each set aside is identified in Table A (pg 2).

Consistent with the set asides and the greater interests of the tenant population to be served, the rent structure of the Legacy Development is such that all rents (which include all utilities) at the Legacy will be **well below** fair market rents. See comparison chart below:

**RENT COMPARISON MARKET (ADJUSTED)**

Unit Type	Highest LIHTC Rents	Survey Min Rents	Survey Max Rents	Weighted Average	Advantage/Disadvantage
1 Bedroom	\$825	\$1,102	\$1,460	\$1,415	<b>-41.69%</b>
2 Bedroom	\$900	\$1,325	\$1,662	\$1,639	<b>-45.10%</b>

b. **Readiness-to-proceed:**

Site Control: Cornerstone Associates, LLC and/or Assigns (Developer) currently owns the parcel to be developed as of May 31, 2017.

Zoning: The site is currently zoned Bradbury Ranch PD. Multifamily construction is not allowed under the current zoning. The Developer has been working with the town on a rezoning since June of 2016 and is currently working on a PD Amendment. It is projected to be in front of planning commission on June 22, 2017.

Environmental: The Phase I environmental was prepared June 29, 2016 and does not identify any environmental concerns.

Plans and Specs: Preliminary site plan, elevations, floor plans and a color rendering have been provided. However, all are subject to review and comment by the Planning Commission and revisions will be made accordingly to meet all guidelines required by the town of Parker.

c. **Overall financial feasibility and viability:**

The proposed financing for Legacy Senior Residences is similar to that utilized for other developments within the state of Colorado. The Developer has extensive knowledge of the permit, review, utility tap fees and all other fees associated with development. The proposed development is eligible for \$1,307,131 in credits, however is requesting an award of 1,250,000 in federal tax credits. The Douglas County Housing Partnership and Cornerstone will be applying for the use of CDBG/HOME funds from Division of Housing (DOH) in their 2017 round in the aggregate amount of \$450,000. With the development expected to come in at a budget of just under \$17,200,000, the permanent mortgage is comprised of only 17% of the total project cost and is underwritten to a 1.23 DSCR, including the debt payments on the CDBG/HOME funds. Legacy has strong overall financial capacity, as evidenced in the pro-forma. The financing arrangements for the Legacy Senior Residences will include the following:

Federal Tax Credit Equity	\$11,998,800
Permanent Debt	\$3,075,000
DOH HOME Funds	\$450,000*
FHLB Topeka – AHP Funds	\$750,000*
Developer Equity/DDF	\$915,746

\*Developer/Managing GP has committed to provide back-up financing to the development in the event that development “soft money” financing is either obtained in part or not at all.

Note: Under existing Colorado Statutes, the development will also be exempt from property tax liability.

- d. **Experience and track record of the development and management team:**  
 The Developer and the management team, Beacon Management, have successfully placed into service and are operating three properties within the state of Colorado, one of which is located in Fort Collins and two in Colorado Springs.

In addition, the Developer owns and operates 22 properties across the Midwest. Our management team has a strong dedication to performance and accuracy with regard to compliance and all appropriate regulations and focus on the ongoing operations of each and every property.

The intent of the development team is to provide a high quality, secure and environmentally sensitive residential alternative that serves a broad socio-economic mix of residents and does so in a manner that is compatible with both the short and longer term market dynamics of the community of Parker.

- e. **Cost reasonableness:** The total development cost (including reserves and all soft costs) is approximately \$17,189,546. Hard costs are estimated per unit at \$146,622. Total per unit costs, including land and all soft costs, is approximately \$238,744 per unit.
- f. **Proximity to existing tax credit developments:** The market study identified the proximity to existing tax credit developments – **Please see Table B (pg 3).**
- g. **Site suitability:** The site itself is relatively flat with minimal site work required. All utilities are available to the site.

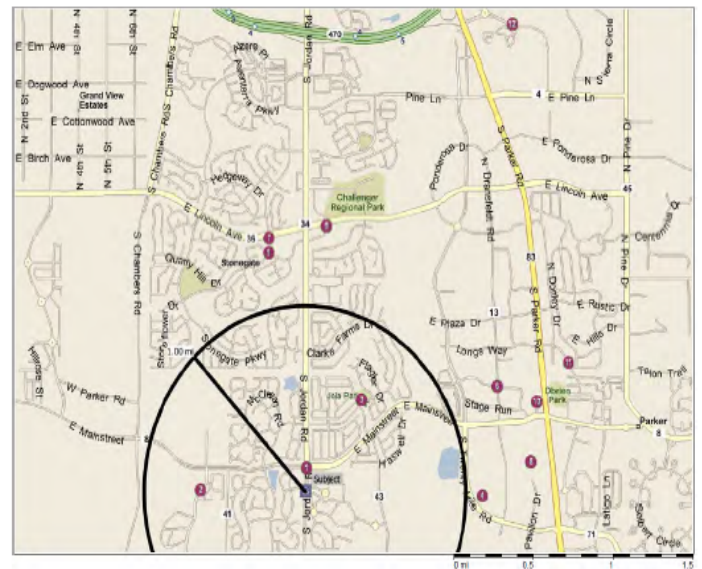
**TOD Site:** The site is a perfect location for seniors, with a bus stop within .16 mile (approx. 800 ft) walking distance.

**Amenities:** Please refer to illustration identifying the distance from locational amenities and services.

**Density:** The site is approximately 5.23 acres. A 72-unit development equates to 13.7 units per acre.

**Green Space:** Parker requires a minimum of 45% green space for each development. The Legacy site provides 51% green space, which exceeds the town’s minimum requirements.

**Locational Amenities**



3. **Justification for Waivers or Financial Need:**  
 Applicant is not requesting any waivers from CHFA.

4. **Address any issues raised by the market analyst in the market study submitted with your application:**  
 There are no issues raised by the Market Analyst. The report does not identify any weaknesses.

Distance From Local Services			
Map #	Name	Service	Distance
1	Bus Stop	Transportation	0.16 miles
2	Grace Lutheran Church	House of Worship	0.63 miles
3	Jola Park	Recreation	0.65 miles
4	Target	Grocery/Pharmacy/Retail	1.14 miles
5	First Bank	Bank	1.34 miles
6	US Post Office	Mail Delivery	1.37 miles
7	Shell	Gas Station	1.42 miles
8	Walmart	Grocery/Pharmacy/Retail	1.46 miles
9	UC Health Emergency Room	Emergency Care	1.48 miles
10	Parker Library	Library	1.57 miles
11	Parker Senior Center	Senior Center	1.83 miles
12	Parker Adventist Hospital	Hospital	2.88 miles

Source: Google Maps and Lea & Company



5. **Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:** There are no issues raised by the Phase I environmental report.
  
6. **Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:** 1) As with most communities in Colorado, land costs in Douglas County are higher than in the more rural parts of Colorado. 2) The building was redesigned as a two story development to better fit within the neighboring subdivision. 3) The town of Parker has stringent building / design requirements that require much more articulation on the roof lines; more articulation of the building to break up the exterior to be more visually appealing. In addition, the use of stone/brick for the majority of the exterior also adds cost to the overall budget. Any area of cost containment throughout the bid and construction process, without compromising the quality of materials and construction, will be utilized.
  
7. **In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):** The Developer, Cornerstone Associates, Diane Leavesley from the Douglas County Housing Partnership and Mitch Trevey, our consultant, have had several meetings with all persons at all levels in the Planning Department in Parker with regard to the zoning application and compliance with the Town of Parker building guidelines and new ordinances. Two (2) town hall meetings have been conducted with residents from neighboring “subdivisions” who have offered comments, questions, concerns and support. Due to comments received from the first meeting, the building has been redesigned to a two story development to better fit within the Bradbury addition and for the appeal of the residents in the neighboring homes. The two story revision was presented at the second neighborhood meeting and was well received with much more positive feedback from the neighboring residents. The developers are pleased with the support received and anticipate a full rezoning approval, as the project helps the town of Parker achieve many of the goals identified in their Master Plan.

Cornerstone Associates, LLC and the Douglas County Housing Partnership (DCHP) are pleased to be in a partnership for the development and ongoing management of the Legacy. DCHP will be co-developing as well as holding the majority general partner interest in the partnership. Upon presentation to the Board of the Douglas County Housing Partnership, of which two of the board members are residents of the town of Parker, with the concept of a joint venture, the reception was overwhelming. Cornerstone Associates and the Douglas County Housing Partnership have a history and strong, positive track record. The Douglas County Housing Partnership is dedicated to creating and sustaining communities through innovative partnerships and entrepreneurial housing programs. A joint venture with DCHP is an indication of trust in the Developer’s ability to jointly own and operate a development and promotes the missions of both parties in providing affordable housing within the town of Parker. It also furthers CHFA’s guidelines of fostering for-profit and nonprofit ventures and a distribution of credits throughout the state.



# 9% lihtc application narrative



**Project Name:** Lumien Apartments II

**Project Address:** 3190 E. Animas Village Drive, Durango, CO

## **Executive Summary**

Solvera Advisors LLC (Solvera), as Sponsor/Managing Member, requests a reservation of \$951,361 in 9% LIHTC to be used for cash equity in this 36-unit, new construction, family affordable rental housing project known as Lumien II. This is the second LIHTC application for this project; However, in order to respond to the diverse needs of the Durango community, it has been substantially modified from the 9% application round in 2016. The unit count and unit mix have changed slightly, but more significantly, in this revised application 25% of the units (9 total units) will be designated as Permanent Supportive Housing (PSH). ***This would be the first LIHTC development to provide PSH in southwest Colorado.*** Recognizing the fact that Solvera is not a seasoned operator of PSH units, Solvera engaged Zoe LeBeau and Jenn Lopez as consultants to structure the PSH model and form key strategic partnerships with Durango based non-profits Axis Health System and Housing Solutions for the Southwest. This will ensure that the PSH model is well developed, soundly capitalized and operated successfully for the Durango community. This included applying for nine project-based Section 8 vouchers from the State of Colorado Division of Housing (“CDOH”). The application was accepted and is in consideration at CDOH; award is anticipated by mid to late June.

Lumien II is a strong project and is well positioned for a LIHTC allocation in 2017 for the following reasons:

- 1.** Solvera has gone the extra mile to meet the needs of the local community by providing a unit mix and specific project amenities that will serve persons experiencing homelessness, seniors with disabilities, current Section 8 voucher holders and the local workforce in Durango. ***Given the limited nature of Section 8 Vouchers from the Colorado Division of Housing, this may be the only opportunity for Permanent Supportive Housing units as part of a new development in Durango for the foreseeable future.***
- 2.** It is likely to be the last LIHTC project located in North Durango, completing the development plan within a larger community known as East Animas Village. Just two miles

west of the site is North Main Avenue, which is slated for redevelopment, and will likely begin gentrifying much like Durango's downtown core.

3. Lumien II is a TOD site, and the development is less than 0.25 miles from Durango Transit, the Durango public transportation system. The closest bus stop is accessed via Melissa Lane, a pedestrian and bicycle only private access that is owned, improved, and maintained by Solvera Developers and located adjacent to the existing Lumien I community.
4. The rental market is tightening in Durango and HUD has declared this area a DDA (Difficult to Develop Area). As a rural/resort area that has only had one tax credit award in the last 10 years (Lumien I), and where wages, rents and project costs prohibit the use of any financing tool other than the 9% credit, this community needs affordable and special needs housing as soon as possible.
5. Lumien II is a smart investment. It has a unique and superior amenities package, unit sizes and design options, ensuring a competitive advantage over other LIHTC properties and Class B and C rental options. Furthermore, the site is within a newer, affluent neighborhood in close proximity to shopping, services and local schools.
6. **Lumien II is ready to proceed immediately.** It has been designed as a three-story elevator building with a stucco and hardiplank exterior and stone accents, varied elevation and a pitched roof. The LIHTC Investor (Wells Fargo - \$.95 pricing), the Construction Lender (Wells Fargo) and the Perm Lender (CHFA) are the same parties that were involved in Lumien I Apartments, thereby creating an extremely efficient, predictable capital structure. The net result of Lumien II is that there will be a fully built out, efficiently operated, 86-unit affordable community offering a wide variety AMI rent levels, wide spectrum of amenities, and supportive services that will benefit both project phases. ***No other community in the southwest region of the state is delivering this unique combination of quality affordable housing, affordable rents, amenities and project based services.***

### **Priorities of the Qualified Allocation Plan, Section 2**

Lumien II will substantially meet all of the stated priorities in Section 2 of the QAP. It will provide Permanent Supportive Housing (PSH) for homeless and persons with special needs in a county of less than 175,000 people that has been recently designated as a DDA by HUD.

As mentioned above, the fundamental change to Lumien II from its prior application in 2016 is that 25% of the units will target persons experiencing homelessness. Solvera has adjusted the

capitalization model as a result of this significant change in unit targeting, while also adjusting to lower credit pricing in the current market. To ensure successful inclusion of PSH units, Solvera contracted with Ms. Jenn Lopez and Ms. Zoe LeBeau, who, in turn, worked with local service provider partners to apply to DOH for nine project-based Section 8 vouchers. The voucher subsidies are critical to providing PSH opportunities in this building and, if awarded, are valued at approximately \$100,000 a year in revenue support to cover operations associated with the nine PSH units.

As with Lumien I Apartments, Lumien II is a public/private partnership with La Plata Homes Fund. The non-profit will receive a right of first refusal whereby at the end of the initial guaranty and compliance period, they can assume the property for its existing indebtedness (no purchase price or consideration paid to the GP sponsor). In addition, Lumien II has a Memorandum of Understanding with Axis Health System and Housing Solutions for the Southwest to provide supportive services on site at Lumien II for the households in need of PSH services.

### **Project Alignment with Guiding Principles**

*Support Rental Housing Projects Serving the Lowest Income Tenants for the Longest Period of Time*  
Lumien II includes a mix of 30% AMI, 50% AMI and 60% AMI residents and a specific set-aside of Permanent Supportive Housing for homeless households. The development is committed to a 40 year total affordability period and is providing a right-of-first refusal to a local nonprofit, La Plata Homes Fund.

### *To Support Projects in a QCT*

Within the last year, Solvera's site in Durango was designated by HUD as a Difficult to Develop Area ("DDA"), thus validating the challenges this community faces to provide quality, affordable rental housing. This means the community is characterized by high land values, high construction costs and utility expenses relative to Area Median Incomes. This is typical in resort towns, but Durango is also the economic and cultural hub of the southwest region of Colorado. It is imperative for continued economic growth that quality, affordable, workforce housing is added to the housing stock in Durango. Unfortunately, the DDA designation means the only way to add meaningful housing stock is through the 9% tax credit program; the low incomes and associated AMI rent levels are disproportionate to development costs, meaning 4% tax exempt bond deals or even State of Colorado LIHTC projects are inefficient and generally ineffective ways to finance new affordable, multifamily development in this community.

### *Provide Distribution of Housing Credits Across the State Including Rural Areas*

Prior to Lumien I Apartments' 9% reservation in 2014, Durango and La Plata County had not received a 9% LIHTC allocation in over 7 years. Starting in 2009 the local community worked for

four years with national consultants to identify developable land and attract high quality LIHTC developer/owners to the area. Solvera was the first developer to re-engage in affordable housing development in the area through a partnership with the La Plata Homes Fund and the City of Durango. Solvera's willingness to invest in the site and hold the land for several years ensured that this project would be financially viable. By utilizing the same property manager and tax credit investor, we anticipate maximizing the operational efficiencies of Phase II. Furthermore, Phase II will offer complementary but very different amenities than Phase I, which will be shared by residents of both phases of the community.

*Provide Opportunities to a Variety of Qualified Sponsors Both For-Profit and Non-profit*

Lumien II and its public/private partnership with Axis Health System, Housing Solutions for the Southwest, and La Plata Homes Fund ensures an opportunity for the 9% LIHTC resource to be allocated to a rural/resort community that has been designated as a "Difficult to Develop Area" with the assurance that a local non-profit, community organization will have the opportunity to maintain ownership of this critically needed community resource.

*Distribute Housing Credits to Assist a Diversity of Populations in Need of Affordable Housing, Including Families, Senior Citizens, Homeless Persons, and Persons in Need of Supportive Housing.*

In response to a request from the local community, Lumien II will be the first LIHTC project in Southwest Colorado to set-aside 25% of its units as Permanent Supportive Housing for persons experiencing homelessness. Furthermore, Lumien II is one of only two LIHTC elevator-serviced buildings for non-senior tenants (Lumien I is the other). Despite the fact that units are designated as family units, Phase I has 17 tenants over 55 years of age and 13 residents with special needs. Phase II will continue to provide more accessible and desirable units for seniors and persons with disabilities. This will be Solvera's first project with PSH units and as such, it has built a consulting team to ensure that the PSH service model design and financing structure will create successful integration of these households into the larger Lumien community.

*To Provide Opportunities for Affordable Housing Within a Half-Mile Walk Distance of Public Transportation Such as Bus, Rail and Light Rail.*

Lumien II is located in North Durango and has a Durango Transit bus stop easily accessible via Melissa Lane within .25 miles of the property. Melissa Lane is a pedestrian and bike only improved, lighted public right-of-way to County Road 250, and it is maintained as private property by Solvera. Access and use of public transit is evidenced by the lack of cars parked in the adjacent parking lots at Lumien.

*Reserve Only the Amount of Credit to Make Any Project Financially Feasible*

Lumien II's 9% LIHTC request has increased since last application as a result of three primary

factors: the addition of PSH units, the decrease in credit pricing and increased construction costs. Approximately 34% of the increase in the credit request is a result of overall development cost escalation (mostly hard costs and Davis Bacon Wage exposure), with another 15% of the increase due to PSH funding requirements. The remaining 51% of the LIHTC request increase is due entirely to the national market drop in tax credit equity pricing. The inclusion of PSH has also necessitated additional funding applications to CDOH to ensure project feasibility. The project has budgeted a \$427,000 funded reserve to finance supportive services.

## **How the Project Meets QAP Criteria in Section 2 of the QAP**

### **Market Conditions**

Rental housing conditions have tightened in Durango; the overall vacancy rate is 1.0% while affordable rental properties have a 0.04% vacancy rate. **Lumien Apartments has an active waitlist of more than 88 potential renters.** It is anticipated that Lumien II will be fully leased within two months.

In addition to the family units, Lumien II will also include nine units of Permanent Supportive Housing. Lumien II's common amenities, security features and tenant services will include a community lounge, flex space for service providers, exercise room, computer/business room, community garden, secure tenant storage area, meeting/service provider room.

Each unit will have nine foot ceilings, efficient unit layouts with plenty of natural light, central air conditioning, blinds, carpet, a coat closet, walk-in closet, ceiling fan, pantry, patio/balcony, refrigerator, stove/oven, dishwasher, disposal, cable TV hook-up, high-speed internet, and a spacious laundry room with in-unit washer/dryer.

Lumien II provides numerous project amenities and has rents set much lower than comparable market rate apartments. Specifically, Lumien II's 60% AMI rents are 30% to 32% lower than the average effective Class B market rate rents. Its 50% AMI rents are 42% to 44% less and its 30% AMI rents are 67% to 68% below market. For the Class C market-rate units, Lumien II's 60% AMI rents are 8% to 14% less than the surveyed weighted average effective Class C market-rate rents, and its 50% are 24% to 29% lower, and 30% AMI rents are 56% to 59% less than market rate.

Lumien II's overall capture rate is 18.1%. Important to note is that surveyed LIHTC properties were over 99% occupied with lengthy waitlists. The capture rate does not take into consideration the PMA's growth of 48 qualified renters annually. It also does not take into account the numerous households in need of PSH units in the area; estimates range from 76 to nearly 400 households that will experience homelessness in the Durango area over the next year.

Lumien II equals or exceeds its competition in all categories. As with Lumien I Apartments, Lumien II will continue to provide quality affordable rental housing to a growing Durango community. In addition, the new partnership with Axis Health System and Housing Solutions for the Southwest will add to the project's amenity offering by providing the region's first onsite social services program for special needs/homeless residents.

Solvera has set the AMI rents in a way that will be more conducive to accepting Section 8 Housing Choice Vouchers; it is anticipated that at least 8 units will be available for tenant-based Section 8 voucher holders. This change in the model was in direct response to request from local voucher program administrators for additional units for their tenants with vouchers who struggle finding apartments in the open rental market.

The nine units of Permanent Supportive Housing will begin to fill a significant need for persons experiencing homelessness in this part of the state. According to local service providers, there is a growing number of persons experiencing homelessness. There were 76 persons experiencing homelessness that resided in La Plata County in 2016 according to HUD's Annual Point in Time Count (the actual homeless population is likely to be 2-3 times this number). Through a unique partnership with the regional integrated healthcare system, Axis Health System, and with support from Housing Solutions for the Southwest, a robust array of supportive services will be offered at Lumien II to ensure that those in need of support services can be housed successfully and integrated into this community setting.

#### *Readiness to Proceed*

Having applied last year, Solvera owns the land outright and has a site plan and architectural plans firmly developed and a contractor estimate that reflects current market conditions. It was provided by the same General Contractor (FCI Constructors) that successfully constructed Lumien Apartments in 2015.

#### *Overall Financial Feasibility and Viability*

The expected LIHTC equity investor (Wells Fargo - \$.95 per credit), construction lender (Wells Fargo) and the permanent lender (CHFA Risk Share program) are the same parties that were involved in Lumien I Apartments, thereby creating an extremely efficient, predictable capital structure and development execution. Lumien Phase I and II will benefit from operational efficiencies, scale and breadth of product offering in a very tight rental market that is challenged to add meaningful housing supply due to cost constraints.

#### *Experience and Track Record of the Team*

Solvera has continued to grow and create quality affordable rental housing throughout Colorado.

Solvera currently has one project of 114 units under construction, with another 49 units in closing status, and a pipeline of more than 250 units including Lumien II. Solvera has a proven history of executing projects on time and on budget. Silva/Markham is an experienced affordable housing and LIHTC financed property Management Company with hundreds of units under management throughout Colorado. The Permanent Supportive Housing program was designed by Zoe LeBeau and Jenn Lopez in partnership with Axis Health System and Housing Solutions for the Southwest and is based on best practices as presented in the Pathways Home Permanent Supportive Housing Toolkit.

#### Cost Reasonableness

As previously noted, the same general contractor (FCI Constructors) that completed Lumien Apartments provided the construction budget estimate for this application. The architect, Parikh Stevens, is the same architect that designed Lumien Apartments. Costs are typically higher in this part of the state where access to materials and labor are challenging due to the mountainous terrain. This is further evidenced by the fact the Durango area has been designated by HUD as a Difficult to Develop Area (“DDA”). Solvera has a history of developing projects cost efficiently without sacrificing the overall quality of these developments.

#### Proximity to Existing Tax Credit Developments

The most immediate and proximate LIHTC property is Lumien Apartments on an adjoining site. As noted, this will result in operational efficiencies for both Lumien Phase I and II. There are several other LIHTC properties identified in the Market Study. The key factor, however, is that in the last eight years, only 50 units of LIHTC financed affordable rental housing have been constructed in Durango, which is reflected in the long waitlists at other properties and the .04% vacancy rate. Lumien II would be the only project incorporating Permanent Supportive Housing in southwest Colorado.

#### Site Suitability

Lumien II is being developed within a newer neighborhood in above average condition and locale, and is within 0.5 miles of a convenience store, neighborhood shopping center, and daycare center. A major grocery store and local schools are within 1.0 to 1.5 miles of the site. It is a highly desirable location for affordable housing being that it is located within the City of Durango and within .25 miles of a bus stop on a major arterial. This site is also in a census tract with a low poverty rate; 15%, which is seen by CDOH as a highly desirable area for new affordable and supportive housing development.

#### **Address any issues raised by the market analyst in the market study submitted with your application**



The only weakness identified by the Market Study related to the distance of Lumien II from downtown Durango and employment centers, because the site is located on the north end of town and is farther away than some of the competing rental properties in the market study. Solvera believes that this potential challenge is fully mitigated by the leasing performance of Lumien Apartments, whose 50 units were delivered for occupancy in October 2015 and were fully occupied by the end of November 2015. The potential renter population of Durango does not perceive this issue as a deterrent to living at the Lumien site. The .25 mile proximity to Durango Transit also substantially mitigates the concern about transportation to employment.

**Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:**

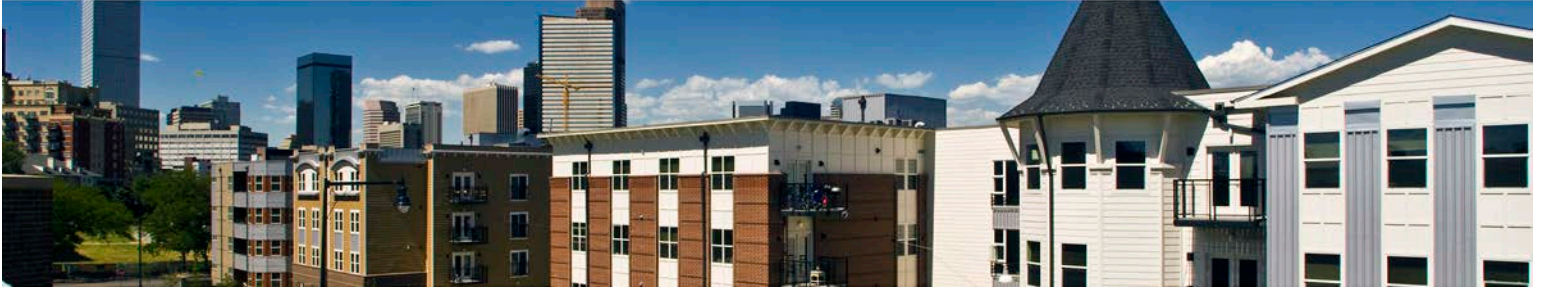
The Phase One Environmental Report did not identify any environmental issues.

**In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):**

Lumien II continues its public/private partnership with La Plata Homes Fund whereby the non-profit will receive the Right of First Refusal to take over ownership of the property at the end of the 15-year Compliance Period. The City of Durango has given Solvera its highest marks for forthright communications and integrity in its dealings in the entitlement and planning review and approval processes. Solvera/Lumien I has conducted itself openly and consistently with the immediate neighborhood, and has a good relationship with both the City and surrounding neighbors. PSH units were added to Lumien II as a direct response to a request from local leaders for dedicated units for persons experiencing homelessness locally. A community steering committee comprised of the City of Durango, La Plata County, the Sheriff's Office, Manna Soup Kitchen and the Chief of Police began meeting in February to attempt to develop a PSH pilot program for the local community. As a first project for Solvera, PSH consultants were hired to work with local service providers to develop a strong services plan and funding model, a tenant selection plan and a competitive application to the Division of Housing for Project-Based Section 8 vouchers. *(See attached local support letters).*



# 9% lihtc application narrative



Project Name: **Mirasol Senior Apartments Phase III**

Project Address: **510 South St. Louis, Loveland, Colorado 80537**

## **Executive Summary**

Mirasol is a senior (55+) community developed and managed by the Loveland Housing Authority. This application is for the third senior tax credit financed development on the thriving Mirasol campus. The project will be located at the corner of St. Louis Ave. and 4<sup>th</sup> Street S.E. in Loveland, CO 80537 on an approximate 2.5 acre site that is being incorporated into the 30 acre Mirasol Senior Community. Proposed financing will consist of Low Income Housing Tax Credits, State Division of Housing funding, City of Loveland fee waivers, Loveland Housing Authority contribution, and deferred developer fees.

The proposed 60 unit building will be “L” shaped, containing 39 1BR/1BA and 21 2BR/1BA units. We have brought together the same design-build team utilized in developing our successful 60 unit Mirasol II building constructed in 2012. Exterior finishes and design will complement the existing architectural feel of the Mirasol Community. Utilizing the similar design and same consultants from the Mirasol II development team allows for a more compressed time frame to get the site approved and ready for construction. The site is now “shovel ready”. Units will range in size from 670 square feet to 861 square feet. All units will be Type B accessible, with nine units designated as Type A fully accessible. Unit finishes will include wall-to-wall carpet, Armstrong-style linoleum in bathroom and kitchen with upgraded laminate countertops and tile backsplash, Energy Star-rated light fixtures throughout, and one wall sconce at the entry.

The building will be a three story, elevator serviced building. The elevator will be oversized for emergency stretcher or gurney utilization. The building footprint will be approximately 25,883 square feet with a total gross square footage of 63,594 square feet. The site will contain 69 surface parking spaces, sidewalks, walking paths and a plaza area.

The construction of the building will adhere to the energy conservation guidelines established by Enterprise Green Communities. Energy saving and “green” initiatives planned into the building will include: Thermal-balanced windows calibrated to the location on the building for passive heating and cooling, sprayed foam and batt insulation to increase insulation and reduction of wind and moisture, individual unit and common space outside air exchange systems, low- or no-VOC interior finishes for trim material, paints, and flooring, Energy Star-rated lighting fixtures and appliances, low-flow plumbing fixtures and toilets and xeriscape landscaping with an irrigation system controlled by a weather station will reduce irrigation water usage. The landscaping is designed to reduce “heat island” effects and provide open space for the residents.

Since the last application LHA has successfully received PUD approval. Additionally the Final Development Plan and subdivision plat have also been approved. Assuming a tax credit award, the project could break ground this Fall making it one of the most “shovel ready” projects.

## **Mirasol Phase III Narrative**

The project will be located at the corner of St. Louis Ave. and 4<sup>th</sup>. Street S.E. in Loveland, CO 80537 on an approximate 2.5 acre site that is being incorporated into the 30 acre Mirasol Senior Community. This 2.5 acre parcel has been annexed and zoned and all entitlements relative to this development have been approved by the City of Loveland. The site has access to public transportation within one block, is within one mile of consumer services, and is within two miles of medical offices and a hospital. The City of Loveland Senior Center is within ½ mile of the Mirasol III site.

Today the Mirasol Senior Community is comprised of a 49 unit and a 60 unit affordable senior apartment buildings, 31 mixed income paired rental patio homes, 24 mixed income age restricted owner occupied homes. In addition, there is the 5,700 square foot Mirasol Events Center at the center of the campus. Both free and fee for services are offered to all Mirasol residents at the Events Center. The latest component to the continuum of care at the Mirasol Community was the addition of the Green House Homes offering skilled nursing care in a dramatically new and innovative setting and concept. These are the first Green House Homes in Colorado. All 60 beds were issued a Certificate of Need by the State of Colorado allowing lower income elders on Medicaid access to affordable eldercare. Residents of Mirasol receive a preference should they need the services for a short or long term stay offered by the Green House Homes.

### **Unit Mix**

<b>Unit Mix and Rents - Larimer County</b>								
<b>Type</b>	<b>AMI</b>	<b>Size</b>	<b>#</b>	<b>Max Rent</b>	<b>UA</b>	<b>Max Rent Adjusted</b>	<b>Actual Rent</b>	<b>Annual Revenue</b>
1 Bed 1 Bath	30%	670	5	432	-	432	432	25,920
2 Bed 1 Bath	30%	861	3	519	-	519	519	18,684
1 Bed 1 Bath	40%	670	4	576	-	576	576	27,648
2 Bed 1 Bath	40%	861	1	692	-	692	692	8,304
1 Bed 1 Bath	50%	670	11	720	-	720	720	95,040
2 Bed 1 Bath	50%	861	6	865	-	865	865	62,280
1 Bed 1 Bath	60%	670	19	864	-	864	864	196,992
2 Bed 1 Bath	60%	861	11	1,038	-	1,038	1,038	137,016
<b>Total Units</b>			<b>60</b>	<b>Total Revenue</b>			<b>571,884</b>	

### **Project Amenities**

Amenities of the new planned building include the following:

- Front lobby area
- Indoor postal drop
- Public restrooms
- Library area
- Security/elevator serviced Building
- Extensive sidewalk/walking trail throughout the campus
- Use of the Mirasol Events Center
- Transportation for shopping (donation requested)

### **Unit Amenities**

All units will include the following:

- Patio/balconies
- Washer/dryers
- Individually-controlled heat and air conditioning
- Computer desk (nook)
- Window coverings
- Full kitchens with self-cleaning oven/range, dishwasher, disposal, and refrigerator.
- Transfer showers

### **Additional Fees**

There is an **optional monthly service fee** for services provided through the Mirasol Event Center and its staff. This fee covers daily continental breakfast and the services discussed below.

The Mirasol Senior Community offers considerable amenities in the adjacent Mirasol Event Center. This center offers programs and services which assist with independent living skills/abilities and enjoyment of life. Services at the events center include the following:

- Daily coffee bistro with continental breakfast
- Fully-equipped exercise room which also offers yoga, dance movement class, Tai Chi and more
- Conference room
- Great Room with enhanced full-service big-screen TV and Wii games
- Community kitchen
- Massage room
- Beauty and barber shop
- Staff offices
- Fully-equipped computers, printers, and copy machine for use by residents

The Event Center staff offer weekly social trips, including trips to Blackhawk, Denver Museum, Denver Zoo, butterfly gardens, and trips to nearby communities such as Boulder and Fort Collins. The fitness center that is part of the Mirasol Event Center offers exercise classes, Yoga, Tai-Chi, and more. The staff offers concierge services to residents such as notary public skills, referrals to local events, and aid in independent living services. There are a wide variety of social gatherings during the holiday seasons. Classes are offered on gardening, writing, health care subjects, investing and more. These programs are all offered by the Mirasol Senior Community staff, which consists of two full-time employees and two part-time employees. Most services are included in the services fee, and some require an additional fee (for example, excursions).

### **Optional Services**

All residents of the community have access to barber/beauty shop and massage services provided by private contractors at the Events Center. Fees are set by the contractors. In addition, weekly lobby BINGO, holiday events such as tree trimming parties and sing along, summer bar-b-que, Opening Day (Rockies) hot dog event, and monthly "Community Council" meetings are held for all residents to enjoy and share suggestions and ideas. No fees are collected for these events.

### **Parking**

There will be 69 surface parking spaces adjacent to the building. There will be no charge for parking.

### **Utilities and Type of Heat and Cooling**

The construction of the building will adhere to the energy conservation guidelines established by Enterprise Green Communities. Heating and cooling will be provided by VTAC ducted systems with each unit having individual thermostatic controls.

All utilities will be paid by the owners.

### **Development Schedule and Anticipated Date for Delivery of Units**

June, 2017	LIHTC Tax Credit Application
June, 2017	Site Preparations begins
September, 2017	LIHTC Tax Credits awarded
November, 2017	LIHTC Partnership Closing
November 15 <sup>th</sup> , 2017	Vertical construction begins
November, 2018	Construction complete/move-in begins

### **Development & Property Management Resumes**

#### **Executive Director, Samuel G. Betters:**

Samuel G. Betters has worked for the Housing Authority of the City of Loveland since 1976 serving as Executive Director of the agency since 1981. The Housing Authority has developed a wide variety of housing and resident service programs under Mr. Better's leadership. This includes Low Income Housing Tax Credit (LIHTC) properties, HUD Section 221 (d) 3, HUD New Construction properties, Project Based and Tenant Based Section 8 Voucher programs, Public Housing along with Project Self-Sufficiency, Family Self-Sufficiency, Home Ownership opportunities, Larimer County Home Improvement program, and the first Green House skilled nursing project in Colorado. Sam holds a Bachelor of Science degree in Community Development from Penn State University and a Master's Degree in Business Administration from the University of Colorado.

#### **Director of Operations, Sharlet Lee:**

Sharlet Lee has worked for the Housing Authority of the City of Loveland since 1985. During this time, Sharlet has been responsible for all aspects of accounting for the Housing Authority. Currently, her responsibilities include financial management budget development, internal controls, development of key performance data tracking and analysis, Management Information Systems, Risk Management and Corporate Compliance. Sharlet has experience in managing accounting and development cost for LIHTC properties. Sharlet received her Bachelor of Science Degree in Accounting from Colorado State University.

#### **Director of Housing, Moofie Miller:**

Moofie Miller has worked for the Housing Authority of the City of Loveland since 1988. Moofie worked previously with the Colorado State Division of Housing, as well as the Lakewood Housing Authority in Lakewood, Colorado. Moofie has experience in managing LIHTC properties and is Housing Credit Certified through the National Association of Homebuilders Association. Ms. Miller has a Graduate Degree in Management and an Undergraduate Degree in Business Administration. Additionally, Moofie is a NAHRO certified Public Housing Manager experienced in managing HUD 236, 221(d3), public housing, new construction and all Section 8 Voucher programs.

#### **Director of Development, Jeff Feneis:**

Jeff Feneis began working for the Loveland Housing Authority in 2007 as Special Projects Manager. In this position, Jeff was responsible for the disposition of the Housing Authority's public housing inventory,

implementing energy efficiency projects at the Housing Authority's properties, grant writing, identifying cost savings opportunities, and assisting with the strategic planning process. From 2009-2014 Jeff held the position of Housing Supervisor. In this capacity, he was responsible for the supervision of Housing Department staff, asset management, budget management and housing program management. Jeff is now working Director of Development, managing new property development opportunities. Prior to working for the Loveland Housing Authority Jeff worked for Hewlett Packard for 17 years, holding positions in Manufacturing Engineering and Program Management. Jeff has a Bachelor of Science degree in Industrial Technology from Colorado State University.

### **Site Ownership and Zoning Status**

The site is owned by the Loveland Housing Authority and is zoned and approved (shovel ready) according to the City of Loveland standards for this 60 unit project (see attached letter from Kerri Burchett Principal Planner, City of Loveland). All Final Development Plan approvals are in place for this project.

### **Estimated Absorption**

Given the very tight rental market in the Loveland area, our existing wait list of nearly 500 income and age qualified applicants, we anticipate absorption of these 60 units to take no more than 3 months to fully occupy.

### **2. Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP):**

Our application does not meet any of the priorities addressed in QAP 5.B.5

### **3. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:**

Mirasol III meets the following Guiding Principles:

- To support rental housing projects serving the lowest income tenants for the longest period of time. Mirasol III is serving households at a range of incomes and has agreed to extend the LURA to the full 40 years. Eight units will be reserved for seniors at 30% and below of AMI.
- To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas. Loveland is market that is well deserving of this credit award. It has been 6 years since this growing community has received an award for senior LIHTCs and since the Loveland Housing Authority has been awarded 9% tax credits.
- To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit. The Loveland Housing Authority is an experienced, well qualified developer with a proven record of delivering quality projects.
- To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing. Mirasol III will serve seniors in established campus that provides an unparalleled array of amenities and services within an affordable community.
- To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the

credit period. Mirasol III is requesting the amount of tax credits needed to be feasible. As a result of substantial drop in credit pricing the Loveland Housing Authority is committing significant resources from its own funds to make this project feasible. In addition LHA intends to leverage other sources including funding from the Division of Housing and fee waivers from the City of Loveland. On a per unit basis we believe the amount of tax credits requested is very reasonable.

4. Describe how the project meets the criteria for approval in Section 2 of the QAP:

#### **CRITERIA FOR APPROVAL**

##### **Market conditions**

As identified in our Market Study, we have a very strong market demand for this project. Vacancies within our existing portfolio of senior housing are currently under 2% - which really represents the time for unit turnover and new resident processing time. Our current wait list has over 350 income and age qualified applicants appropriate for this project. The Update to our Market Study prepared by the Highland Group estimates over 1,200 age and income qualified households in the market area with a capture rate of merely 9.8%. Since we have added the Green House skilled nursing component to the Mirasol campus we have seen an increased demand for our housing at this community.

##### **Readiness – to – proceed**

The Loveland Housing Authority is a very experienced developer that delivers on its commitment. The site is zoned, with off-site infrastructure scheduled to begin in June, 2017. The funding for this first step will be committed to the project by the LHA. Once LIHTC credits are approved, we will be in position to begin vertical construction with an estimated completion date of November, 2018. Further evidencing the readiness to proceed, LHA has already obtained a demolition permit from the City.

##### **Overall financial feasibility and viability**

As the third phase of this senior community Mirasol III benefits from the experience of the previous developments. The design and costs have been reviewed and vetted to be as accurate as possible. There is proven demand with over 350 household waiting list at Mirasol I and II. The operating budget is based on historical operations so there should not be any significant fluctuations. The Loveland Housing Authority has a proven track record and relationship with equity and debt providers and will be able to successfully close this transaction in a timely fashion. In addition the Loveland Housing Authority is willing to commit a significant amount of its own resources to insure the viability of Mirasol III.

##### **Experience and track record of the development and management team**

The Loveland Housing Authority will be the developer of the Mirasol III project. The four key principals listed above in our application have a combined 70+ years in developing and managing tax credit financed developments. Mirasol III will be the 14<sup>th</sup> tax credit project developed by this team since 1993. All but one member has been with the team since the beginning and all projects were new construction projects with their exception of one. The design firm of ALM2 and the contractor Pinkard Construction is the same team we worked with very successfully on the Mirasol II project. Both of these organizations

have a vast amount of experience with multi-family LIHTC projects. The unit design of the Mirasol II and III are nearly identical. The building footprint is slightly different for siting purposes.

### **Cost reasonableness**

Due to the intense building activity in Northern Colorado in particular and all along the front-range, construction costs have increased significantly over the past few years. We have worked diligently with our contactor and architect on the design and we believe the costs for the proposed project and product type are very reasonable.

### **Proximity to existing tax credit developments**

The Mirasol III project will be the 3<sup>rd</sup> 9% tax credit financed development in the Mirasol Senior Community. There is a strong demand for the existing units at Mirasol and this project will enhance and add to the senior housing options as well as utilize the existing planned community infrastructure of this very successful community, including an extensive system of walkways and community amenities.

### **Site suitability**

Mirasol III is an ideal site for senior housing. The project will benefit by joining an already thriving senior community with the many amenities already established and in the area. The site is located within close proximity of shopping, the Loveland Senior Center, and Loveland downtown.

Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):

**Not Applicable.**

Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:

**Not Applicable.**

Address any issues raised by the market analyst in the market study submitted with your application:

**There were no issues**

Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:

**There were no issues.**

*In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):*

The Mirasol project is one of the most highly regarded senior housing communities in northern Colorado. The current project will benefit from the City of Loveland's affordable housing incentives which include forgiveness of all Sales and Use taxes related to the construction of the project, a reduced development fee structure, fast tracking for project review and approval and reduced site development standards to assist with the affordability of the cost of construction. In addition the Loveland Housing

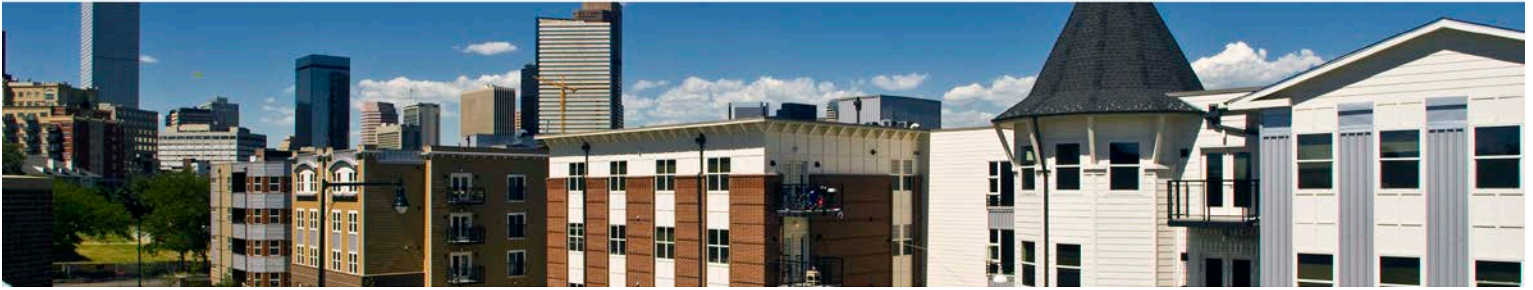
Authority is contributing over \$1,000,000 to the project. The projects is also supported by many local senior organizations as well as local seniors that have also written letters of support for the project.

See attached letters of support from the following:

1. US Senator Michael Bennet
2. Loveland Mayor Cecil A. Guitierrez
3. Loveland Mayor Pro Tem John H. Fogle
4. The Salvation Army – Olga Duvall
5. Kimberley Farro, Medical Center of the Rockies
6. Partnership for Age-Friendly Communities in Larimer County
7. The Green House Homes at Mirasol
8. Disabled Resource Services
9. Sue Mendehall
10. Wendy Barth
11. Catherine and Ronald Grassi
12. Roy and Barbara Poole
13. Ron Grassi – Mirasol Resident
14. The Seasons Club
15. Aspen Club Senior Services
16. Marlene Quattrochi
17. Ruth Van Voorhis
18. League of Women Voters
19. Innovage
20. Disabled Resources Services
21. Meals on Wheels
22. Jackie Gresham
23. Cory Zabenco – Humana
24. Theresa Poole



# 9% lihtc application narrative



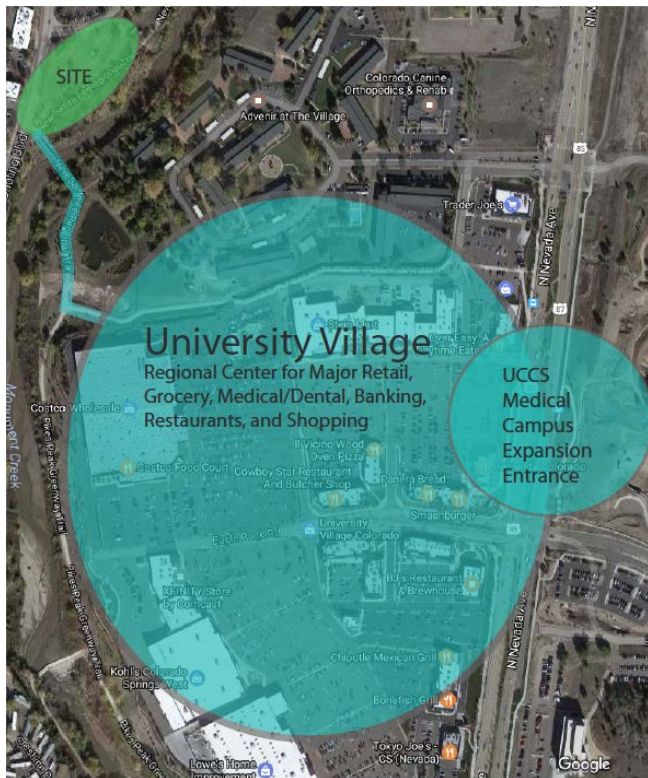
**Project Name:** Monument Creek Apartments

**Project Address:** 5325 Mark Dabling Boulevard – Colorado Springs, Colorado

**Summary:** The Monument Creek Apartments is a new construction two and three-story multifamily project that will provide 48 units of workforce housing in northeastern Colorado Springs – a part of the city that has seen very little affordable workforce housing development. Nestled in the wooded Monument Creek corridor, future residents will have direct walking access to the new University Village retail area and future University of Colorado – Colorado Springs medical campus. The capture rates for this project are 0.7% for the 30% AMI units, 9.1% for the 40% AMI units, 3.9% for the 50% AMI, and 4.3% for the 60% AMI units for a total of 2.1% – an incredible level of demand for family housing in this area. The project presents a unique infill development opportunity to provide affordable housing in this area.

**Type of Construction and Energy Efficiency:** The building will be modular, wood frame construction made up of factory-produced pre-engineered building units that will be delivered to the site and assembled into the larger building, providing efficiency in cost as well as in the stacked design of plumbing and self-contained furnace/AC units with individual resident controls for the residents. The universal designed apartments are accessed through breezeways and also allows for access to the outdoors. First floor apartments shall be Type A fully accessible units. The envelope design will allow for R-19 continuous batt insulation as a minimum thermal barrier and windows will contain Low-E glass. All appliances will be specified as Energy Star Rated products. Water saving fixtures will be specified as indicated by the Enterprise Green Communities. The roofing will be specified to reflect solar heat and will accommodate the option to add photovoltaics in the future. The project includes a passive radon system built into the foundation that can be upgraded to include active radon ventilation fans in the event that radon is discovered during post-construction testing. The building is appropriately located on the site, in consideration of boundaries of the floodplain and existing easements. Practically speaking, the building is located in the only site available for new construction and the back edge of the building will be located in close proximity to the City trail. Ground level floor units will have a fenced in patio and all other units will have a balcony. All units will have an outside storage off of the patio or balcony for tenant use.

**Population and Bedroom Mix:** The Monument Creek Apartments is designed to accommodate a mix of households that would benefit from its location and amenities. The project contains an equal number of one- and two-bedroom units to house individuals, couples, families and seniors.



**Location:** The project is well suited for the development of affordable housing. The project is located within a short walking distance via footbridge and landscaped walking paths University Village, a regional shopping center with many stores, restaurants, and services, allowing residents to address daily needs and enjoy a walkable lifestyle – both for shopping and possible employment. See narrative supplemental materials to see the large list of stores and amenities at University Village. The expanding UCCS medical campus and local hospital is immediately to the east of University Village, also easily accessible to residents by foot, bike, or vehicle. The site itself is beautifully nestled next to Monument Creek with a soon-to-be developed nature walkway that will enhance the quality of life and help connect the residents and families to nature.

**Amenities:** Residents will enjoy on-site amenities provided in the clubhouse portion of the development. The clubhouse will offer community space, a computer room, a BBQ area and a patio. Each unit will include a dishwasher, full-size washer dryer in the unit, storage, central air conditioning, carpets, drapes and blinds. The site will be designed with access to the public trail at the Monument Creek as well as save access to the playground both without crossing vehicular traffic. The residents of the community will also have access to gardens to produce vegetables, herbs, and flowers.

**Financing:** The project will be financed with a combination of tax-exempt construction-to-permanent debt, a CHIF construction loan, significant funding from the El Paso County Housing Authority, local and State funds from the City of Colorado Springs and Colorado Department of Housing, and owner equity. AWHs will use a third-party guarantor, and the terms of this partnership are set forth in an attached letter of intent. In addition, AWHs is working with a third-party Joint Venture investor who will provide subordinate, cash flow debt to the project.



**3. Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP):**

- This project does not directly address any of the three Section 2 priorities.

**4. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:**

- **To support rental housing projects serving the lowest income tenants for the longest period of time:** The Monument Creek Apartments will covenant all units as affordable for the maximum 40 year restriction. Five of the project’s 48 units will be covenanted at 30% AMI and another five at 40% AMI.
- **To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria:** The project is located in a QCT. Please see attached documentation of community revitalization.
- **To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas:** The Monument Creek Apartments will be built in Colorado Springs, which typically receives less LIHTC allocation than the Denver metro area. North and northeastern Colorado Springs has received little LIHTC allocation, although it is a region of Colorado Springs that has seen significant growth and development overall. Local support for this project comes in part due to its location in northeastern Colorado Springs and the need for affordable housing in this location.
- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit:** AmericaWest Housing Solutions is a non-profit



housing developer who will bring both non-profit and for-profit partners to help with the financing and completion of this project.

- ***To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing:*** The Monument Creek Apartments will not be restricted by population but is anticipated to serve individuals, couples, and families of all ages who are interested in living within walking distance of shopping, services, and recreation.
- ***To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail:*** The site is well located for a walkable lifestyle, and is 0.8 miles from Mountain Metro transit routes.
- ***To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing:*** This project is a new construction development.
- ***To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period:*** The per-unit project costs are reasonable and will require a relatively small LIHTC in order to complete its financial feasibility. Please see the project application worksheets for more detail.
- ***To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval.*** The project is requesting a small amount of LIHTC equal to approximately \$18,000 per unit.

#### **5. Describe how the project meets the criteria for approval in Section 2 of the QAP:**

- Market conditions:** According to the market study, the proposed rental rates are market oriented and are well supported by the comparable properties throughout the area. Marketability of the project is well supported by the significant number of units at 40% AMI and below, as well as the proposed rent levels. The capture rates for the project are extraordinarily low - 2.1% for all AMI levels.
- Readiness-to-proceed:** Upon award of credit, the project will be ready to move toward financial closing by the third quarter of 2018. The site is under contract with a friendly property owner who understands the mission to construct LIHTC housing on the property. A significant amount of soft funding for the project has been approved prior to submission of this application. Zoning will be in place prior to LIHTC award. Preliminary partnership agreements have been negotiated with all partners.

- c. Overall financial feasibility and viability:** The project’s budget has been developed in collaboration with the GC cost estimation team, the modular construction providers, and the project’s financial consultants to ensure that is appropriate for the current investment, lending, and construction markets. The project’s budget is also viable considering the local, state and partner funding available to it.
- d. Experience and track record of the development and management team:** AmericaWest Housing Solutions (AWHS) is the prior recipient of a 9% LIHTC award and has familiarity with this financing. In order to support the project’s success, AWHS has assembled an experienced team, most of who have worked closely with AWHS on their previous LIHTC award and its construction.
- e. Cost reasonableness:** The GC cost estimation and financial consultant teams have utilized up-to-date, market-based information in preparation of the project budget and costs are reasonable – especially considering the modular construction of the units. Please see project’s application workbook for more detailed information.
- f. Proximity to existing tax credit developments:** In the PMA, there are two competitive existing LIHTC properties, excluding senior-oriented or Section 8 properties, and one senior LIHTC project which was awarded earlier in 2017.
- g. Site suitability:** Located near Mark Dabling Boulevard and Rockrimmon Boulevard, Monument Creek Apartments will be some of the first workforce LIHTC units to be developed in the north Colorado Springs/Briargate/Rockrimmon area, providing badly needed housing options to support the significant economic development that has taken place in north Colorado Springs in the past 10-15 years. The development will be constructed to the east of Mark Dabling Boulevard and to the west of the Monument Creek Regional Trail. Immediately to the south is a footbridge connecting the trail to the new University Village retail complex on the east side of Monument Creek. Residents will be able to walk .25 - .5 mile to the University Village to access Trader Joe’s grocery, retail, Costco, department stores, restaurants, medical/dental offices, banking, fitness, and barber and stylist services. The Monument Creek Apartments will also be readily available for University Village employees to qualify to live. Immediately next to University Village will be the new University of Colorado – Colorado Springs medical campus, which is expected to expand the University of Colorado system by thousands of students, creating jobs and medical services close to Monument Creek Apartments. Residents will also have easy auto access to I-25 and Garden of the Gods Road, major arteries that connect the community to the rest of Colorado Springs. In addition, the eastern portion of the site closest to Monument Creek is intended to be developed, in collaboration with the City of Colorado Springs,



into an interpretive riparian park highlighting the ecology of the wetlands and river bank in an educational, engaging, and relaxing reprieve that brings out the natural amenities that help enhance the quality of life at this location. Monument Creek Apartments residents will have immediate access to this new park and which will connect them with nature, provide good views, and activate the site.

**6. Provide the following information as applicable:**

- a. **Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):** None

**7. Address any issues raised by the market analyst in the market study:** In addition, the project brings 30% AMI units, which are not currently represented in the market area, and 60% AMI units, which are not common in the market area with predominantly 40% AMI units available. The income levels in the market area are slightly below average indicating a higher demand for affordable housing. The project also brings much needed newer housing to the area, compared to the existing renter-occupied housing built prior to 2000. Finally, the rental rates are market oriented and are well supported by the comparative properties throughout the area.

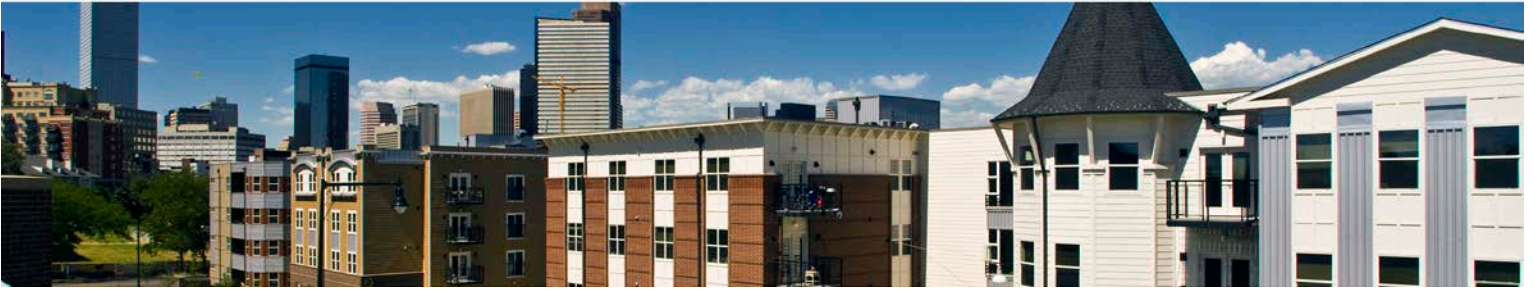
**8. Address any issues raised in the environmental report(s) submitted with your application, including how the issues will be mitigated, if applicable:** The Phase I Environmental Report indicates there are no recognized environmental conditions associated with this site. The project, although located near Monument Creek, will be built outside of the floodplain. The floodplain boundaries were updated in 2016 based on updated assessment of the area. Further research shows that the location of the building and site does not encroach on either endangered species habitat, or the existing Office Complex with a Streamside Overlay (OC/SS) zoning. Please see attached information.

**9. Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:** The developers have worked hard to contain costs and to remove features that would drive up costs. The modular construction used to construct the units is one way the developers have worked to contain costs. Modular construction is all-inclusive and each unit will come from the factory with all framing, insulation, electrical, plumbing, mechanical, drywall, floor finishes, cabinets, countertops, appliances, and paint in place. The development of modular construction for multifamily apartments, to be piloted at the Monument Creek Apartments, has the potential to significantly reduce construction costs. Because units are constructed in a controlled environment, the cost to produce those units are not subject to adverse labor

conditions or weather delays, and installation of the units on the site takes significantly less time than ground-up construction. All of these factors create cost containment. Please visit <https://youtu.be/prfGWDJacoM> for more information on commercial modular construction.

**10. In your own words, describe the outreach to the community that you have done and describe local opposition and/ or support for the project (including financial support):** The creation of affordable housing is of highest priority for currently leadership at the City of Colorado Springs and in El Paso County. The AWHs team has actively pursued collaboration with the City and El Paso County Housing Authority to fulfill this priority in partnership with local government. In addition, the AWHs team conducted a significant amount of outreach with the neighborhood property owners to secure an amendment to neighborhood covenants to allow multifamily development. The support of these owners and the modification of the covenants was the first essential step to securing zoning entitlement. See attached letters of support for the project indicating this collaboration.

# 9% lihtc application narrative



Project Name: Providence at the Heights (PATH)

Project Address: 15602 East Alameda Parkway, Aurora, Colorado

## **Executive Summary**

In 2015, 9,661 people were released from prison in Colorado and approximately 2,850 of them spent their first night either on the street or in a shelter or motel. In the Denver metro area, 37% of parolees end up in homeless shelters or other temporary housing. A Piton Foundation survey in 2007 found that nearly half of parolees return to prison. Upon return, half of them indicated that finding a place to live was one of the biggest problems. Providence at the Heights (PATH) will break barriers to help keep formerly incarcerated men and women off the streets and provide the tools they need to transition to a life of success to break the cycle of recidivism.

The Second Chance Center, Inc. (SCC), in conjunction with BlueLine Development, Inc., LeBeau Development, LLC, Wheeler Advisory Group, LLC, and The Ross Management Group is proposing the new PATH housing development in Aurora. PATH will include 49 permanent supportive housing units targeting formerly incarcerated individuals who are homeless or at risk of homelessness. The unit mix will include 40 one-bedrooms and 10 two-bedrooms. One 1-bedroom non-PBV unit will be available for use as a guest apartment. Each unit will have an Energy Star refrigerator, dishwasher, oven/range, disposal, and microwave. The two-bedroom units will have stackable washers and dryers.

## **Construction**

PATH will be a three story, wood frame building designed with double loaded corridors to maintain building efficiency and will be serviced by one elevator. Exterior finishes will be a combination of metal, glass, stucco, siding, and other high quality exterior finish materials. All units will have high efficiency windows, increased insulation rating and air conditioning. The entire project will self-certify to Enterprise Green Community Standards.

## **Amenities**

There will be approximately 6,093 square feet of administrative offices and service space on the first floor. This space will include a computer/training room, storage room, pantry, lobby, community kitchen and food prep area, gallery space, counseling center, meeting rooms, a “moon room” for meditation, gym and shower room, mail room, shared laundry and a large lobby area at the front desk. The outdoor community space will include an eating/activity area, a community garden with a walking path, and playground for children.



In addition, the development team has intentionally included several unique amenities that have proven to increase the likelihood of overcoming recidivism and homelessness in Second Chance Center's clients. Upon release of correctional facilities most individuals do not own a car or have the resources to take care of simple life tasks such as getting a haircut. With this in mind, PATH will have space for a bike shop and barber facilities on site at no cost, allowing residents to maintain transportation and personal appearances necessary in finding employment.

### **Financing**

Funding for PATH will be provided by CHFA in the form of 9% LIHTC equity, City of Aurora and Arapahoe County HOME Funds and Colorado Division of Housing HDG grant funds. The project will be supported by 49 HCV vouchers from the Colorado Division of Housing. PATH will follow all required cross-cutting federal regulations.

### **Services**

Second Chance Center, in partnership with the Mental Health Center of Denver (MHCD) will provide permanent supportive services to residents of PATH. These services will include, but not be limited to Mental Health Services, Substance Abuse Services, Independent Living Skills, Health and Medical Services, Employment Services, Services for families and General Supportive Services. For more detail on intakes, assessment, defining service plans and case management please see the comprehensive service plan provided with this application.

### **Strengths**

Second Chance Center will act as the sponsor and sole member of the GP for PATH. SCC is the largest and most successful community re-entry program in the State of Colorado and exists to help formerly incarcerated men and women in the Denver metro area transition to lives of success and fulfillment. Over the past five years SCC has successfully reduced the recidivism rate of their clientele by 77% as compared to the state average. Permanent supportive housing has been expressed as a top need for the nearly 1,100 clients SCC serves each month, emphasizing the importance of PATH. Additionally, Community Strategies Institute estimates 2,463 persons exiting the criminal justice system in the Denver metro area have a need for permanent supportive housing. No other PSH projects in the Denver metro area currently serve this population, creating an overall capture rate of 2% for PATH.

While Second Chance Center and MHCD will operate the services component of PATH, LIHTC compliance and day to day property management will be performed by The Ross Management Group, an extremely knowledgeable property management company based in Denver with experience in LIHTC, HOME and Section 8 project based vouchers. SCC and Ross Management will work collaboratively at PATH to create an environment conducive to permanently overcome homelessness and recidivism. Second Chance Center and Ross Management jointly participated in the 2016-2017 Pathways Home Supportive Housing Toolkit and look to build on the successes of past toolkit participants.

Although SCC is proposing housing and services that have not been seen before in Colorado, they are drawing on the experience of other successful programs to gain knowledge of successes as well as mistakes to avoid. The Delancey Street Foundation is the country's leader in residential self-help for ex-convicts, homeless, and others who have hit rock bottom. They have been operating since 1971 and grew from one apartment in San Francisco to six locations throughout the United States. They have served thousands of residents of all ages, genders, and ethnicities. Their Institute for Social Renewal provides training and technical assistance in replication of the Delancey Street model and members of the Second Chance Center will attend their training in August 2017 to learn hands-on techniques for working with this specific population.

Hassan Latif, Executive Director of Second Chance Center, met Stanley Richards, Executive Vice President of The Fortune Society, at the Housing Credit Summit in Denver in May 2017. Since 1967, The Fortune Society has assisted thousands of formerly incarcerated people in community reentry. They have empowered their clients to build better futures through supportive and affordable housing. Mr. Richards shared some of their lessons learned through 50 years of providing housing and services to this unique population. One of these lessons was the importance of community engagement and involvement in addition to providing an asset that enriches the community. Additionally, Mr. Richards emphasized the need for a welcoming, but professional staff that sets the tone for the environment at the project. With this professionalism, Mr. Richards has seen their tenants follow the lead of staff and take ownership in the safe and respectful environment created at Fortune Society.

It is this type of environment that PATH strives to re-create. Through its relationship with Elevation Christian Church, a respected and valued community member, and the professionalism of Second Chance Center, PATH has the tools in place to successfully become the first re-entry PSH project in the State of Colorado.

Through these relationships, SCC looks forward to building on the success of other re-entry housing developments around the country and serving an unmet need in the State of Colorado.

### **Weaknesses**

Although Community Strategies Institute did not indicate any weakness in the overall project, they did recommend a fence or other barrier be built between PATH and the steep gulch by West Toll Gate Creek to ensure resident safety. PATH will collaborate with the architect and contractor to create an appropriate barrier.

### **CHFA's Guiding Principles**

PATH meets two of the priorities and nine of the Guiding Principles in Section 2 of the QAP by:

1.1. Serving homeless persons as defined in Section 5.B 5. PATH is the result of an experienced re-entry advocate's desire to expand their service for homeless individuals within the city of Aurora. Second Chance Center currently serves over 60 homeless, re-entry individuals every

day. PATH will be an expansion of that service with 100% of affordable units serving extremely low income homeless individuals in the City of Aurora.

1.2. Serving persons with special needs as defined in Section 5.B 5. Occupancy of PATH will target individuals and families who are homeless or have acute special needs. Please see the Permanent Supportive Service Plan submitted with this application for additional information.

2. Serving the lowest income tenants for the longest period of time by restricting all affordable units to extremely low income homeless individuals for a minimum of 40 years. All tenants will receive the benefit of permanent supportive services through Second Chance Center.

3. Distributing housing credits across the state through its location in Aurora, Colorado. PATH would be the first fully permanent supportive housing project in the City of Aurora and the first re-entry project in the State of Colorado.

4. Providing opportunities to a variety of qualified sponsors due to intense collaboration between for-profit, non-profit and governmental entities, all of which will materially contribute to the success of the project in unique ways. The sponsor of the development, Second Chance Center is a non-profit entity with a history of service to formerly incarcerated individuals. By combining SCC's expertise in permanent supportive services and homeless housing for the re-entry population with Ross Management's expertise in LIHTC, HOME and Section 8 management, PATH will maximize housing benefits to all residents. Additionally, Second Chance Center has engaged BlueLine Development, Inc. to ensure project completion. BlueLine is a for-profit affordable housing developer with a strong history of affordable housing and permanent supportive housing success. Finally, the Aurora Housing Authority will participate in the project through their Special Limited Partner program so the project will receive a waiver of sales and real estate taxes to ensure long term viability through decreased operating expenses.

5. Distributing housing credits to a diversity of populations by serving 100% extremely low income homeless individuals, traditionally the most difficult population to serve. By utilizing soft funding and project based housing choice vouchers, the project will serve 49 extremely low income homeless individuals who would not otherwise have housing.

6. Providing opportunities for affordable housing within a half mile of four bus lines gives residents the flexibility of over 350 rides per day, including one stop adjacent to the site.

7. Financing new construction of a Permanent Supportive Housing project in Aurora, Colorado, a community that currently has no existing Permanent Supportive Housing units and only nine planned for development.

8. Reserving only the amount of credit necessary for the financial feasibility of the project and requesting the use of CHFA's discretionary basis boost in the amount of 9%, under the maximum allowable amount of 30%. By utilizing a cost-conscious architect and contractor, the development team has worked diligently to keep the credit per unit request at the lowest level possible. Additionally, PATH intends to utilize soft financing through The City of Aurora,

Arapahoe County and the Colorado Department of Labor Division of Housing in an effort to ease the strain on limited 9% Low Income Housing Tax Credits.

9. Reserving credits for as many rental housing units as possible. PATH has requested equity letters from multiple syndicators active in the Denver market and strives to achieve the highest equity pricing possible. By soliciting multiple offers PATH aims to maximize the value of the Low Income Housing Tax Credit while minimizing annual allocation, allowing CHFA to distribute credits to other worthwhile projects.

#### **Market conditions**

Analysis of the primary market area indicates a shortage of housing available to formerly incarcerated individuals as indicated by an estimated 2,463 good candidates, identified by the market study, with no units available to them in the Denver metro area and only 50 planned units that would accept formerly incarcerated individuals. These figures are further corroborated by high occupancy rates and wait lists at existing homeless housing communities within the primary market area. Capture rates for the project are extremely low at 2%. After consideration of projects under construction or in the planning process capture rates remain extremely low at 4%. Based on these calculations we anticipate a quick lease up and long term stabilization for PATH.

#### **Readiness-to-proceed**

The proposed project's site is currently zoned PCZD MF and is subject to the Tollgate Villages General Development Plan, which allows for multi-family development with densities of up to 50 units per acre. The site is currently owned by Elevation Christian Church, who has executed a Purchase and Sale agreement with Providence Heights, LLLP. Due to the current ownership structure, the site will have to be sub-divided by the city and obtain a parking waiver for very affordable housing. The development team has been working with the City of Aurora's Planning and Zoning Department and all indications are that this will not cause any delays to the project. The development team has requested a concept meeting with the City with an anticipated timeline for re-mapping and waiver of four months. Based on an anticipated closing and construction start date of July 2018 this process falls well within the anticipated project timeline. Additionally, the development team has started the parking reduction process with the City of Aurora, a process the project architect successfully navigated on another LIHTC project, Paris St. Apartments. Elevation Christian Church has also agreed to sign parking easements necessary for 38 total spaces for the project and will allow shared parking if the need arises.

The PATH team has engaged Shopworks Architecture, an experienced Denver LIHTC architect, to design the building. Additionally, we have received construction estimates from several experienced Denver LIHTC contractors.

#### **Overall financial feasibility and viability**

PATH is financially feasible if awarded 9% Low Income Housing Tax Credits as requested. The project is requesting to use CHFA's discretionary basis boost as a gap filler, which would equate

to an increase of 9% in annual allocation. This boost is necessary to ensure project viability through what has become a proven financing structure for permanent supportive housing projects.

PATH will have secondary funding sources through City of Aurora HOME funds, Arapahoe County HOME funds and the Colorado Division of Housing Development Grant Funds. By utilizing the soft financing from the City of Aurora and Arapahoe County and Housing Development Grant funds as the only sources of secondary financing, PATH is ensured of continued operations even in the event that the project's Housing Choice Voucher allocation is removed.

**Development and management team:**

*Second Chance Center*

Since 2012 Second Chance Center has provided services to men and women released from Colorado correctional facilities. During that time Second Chance Center has become the largest and most effective community re-entry program in the state through a focus on helping returning citizens transition to lives of fulfillment and success. Nearly 10,000 men and women are released annually from Colorado correctional facilities, with the majority returning to the Denver metro area. Nearly half of these individuals will end up back in jail within three years, indicated by a statewide recidivism rate of 49%. In contrast, Second Chance Center received over 1,100 client visits per month in 2016 and their recidivism rate was 11%.

*The Ross Management Group*

The Ross Management Group, formed in 1986, specializes in the management of conventional, tax credit, affordable and service-enriched housing, as well as senior residential properties and retail/commercial real estate. Ross Management currently operates 24 affordable housing developments totaling over 2,700 units in Colorado, Oklahoma and North Dakota. These developments include financing through the Low Income Housing Tax Credit Program, HOME Investment Partnerships Program, Section 8, Section 202 and Section 236 programs. For more information please see the Ross Management Resume and List of Properties submitted with this application.

*BlueLine Development, Inc.*

BlueLine Development, Inc. is a real estate development company dedicated to creating and sustaining affordable housing. Their success comes from forming partnerships and utilizing all available funding resources. The goal of each development is to provide a comfortable, healthy home to those who need it most. BlueLine Development was founded in 2011, by professional developers who brought years of development experience to the table as well as a great zeal for the work they do. BlueLine has secured funding and completed construction on 19 different LIHTC projects, in multiple states, with seven different nonprofit companies utilizing LIHTC, HOME, CDBG, NSP, TCAP, AHP, NAHASDA, Section 1602 and Section 8 programs. Please see the BlueLine Development Resume and List of Properties submitted with this application for more information.

### **Cost reasonableness**

The costs submitted with this application reflect the current construction market in The City of Aurora. These costs have been verified verbally from numerous funders and construction reviewers and in writing by several Denver LIHTC contractors familiar with the architect and active in the Denver market. The development team has looked for opportunities to streamline processes and minimize costs at every opportunity. By utilizing an architect, contractor and engineers who are all familiar with the LIHTC process, the development team has been able minimize turnaround time and duplication of efforts in the design phase, which will translate to an efficient construction process.

### **Proximity to existing tax credit developments**

Community Strategies Institute identified 10 comparable tax credit developments with permanent supportive services totaling 712 units within the Denver metro area. However, none of these projects are located in the City of Aurora and only one planned project with 9 PSH units is located within the City of Aurora. The total vacancy rate of these projects is very low at 0.4%. Further analysis of these comparables can be found in the market study submitted with this application.

### **Site suitability**

By building in Aurora, PATH will be proximate to Second Chance Center's existing location and will realize efficiencies in leasing and proximity to services because of this. The site is located within a half mile of 4 bus lines, providing over 350 possible rides per day, and walking distance of Tollgate Park, Aurora History Museum, eight restaurants, a coffee shop, and a grocery store. The site is currently level and vacant, so excavation and site work requirements are minimal. The Phase I ESA submitted with this application found no existing or past environmental concerns.

### **Justification for waivers**

PATH is requesting a waiver of the maximum debt coverage ratio of 1.30. By structuring the project without any traditional permanent debt, the development is ensured of continued operations and financial stability in the event that project based voucher appropriations are cut or third party funding for services are decreased. If HCV for PATH were removed the project could still cover the projected operating costs with rents maintained at 30% levels, instead of requesting a modification to CHFA's LURA for higher rents.

Likewise, should third party funding for permanent supportive services be removed from the project, the cash flow generated from the project could be used to supplement the services budget so residents do not have to go without desperately needed services and support necessary to maintain a stable life. Should project based federal subsidy remain with the project throughout the compliance period, this increased cash flow could potentially be used for additional services not currently included within the scope of the services plan. This model has been used in several other projects in the Denver metro area, including Saint Francis

Apartments at Cathedral Square and Cornerstone Residences, and has been extremely successful.

The development team recognizes that the credit request per unit of \$24,150 is high when compared to CHFA's historical awards. If CHFA feels it is more appropriate to award less credits to the project, the development would be willing to pursue a financial model with permanent debt, although this would not be a traditional PSH financial model. The operating budget could support permanent financing of up to \$2,000,000 at a 5.5% interest rate with a 30 year amortization at a Debt Coverage Ratio of 1.25 after consideration of permanent supportive services. At this level of debt the overall credit request decrease to \$979,000, or \$19,580 per unit.

#### **Justification of Financial Need**

PATH is requesting the CHFA DDA credit in the amount of 9% as a gap filler so the project does not have to assume permanent financing, similar to other successful PSH projects throughout the country. By minimizing risk through this structure, the development team has generated significant investor interest as evidenced by the multiple letters of interest submitted with this application.

#### **Market Study Issues**

Community Strategies Institute did not identify any weaknesses to the project, but did recommend a barrier to the steep gulch by West Toll Gate Creek be constructed and PATH will work with the architect and contractor to implement this feature.

#### **Environmental Issues**

The Phase I ESA, completed by Family Environmental Services, revealed no Recognized Environmental Concerns, and recommended no further investigation.

#### **Unusual Costs/Opportunities for Cost Containment**

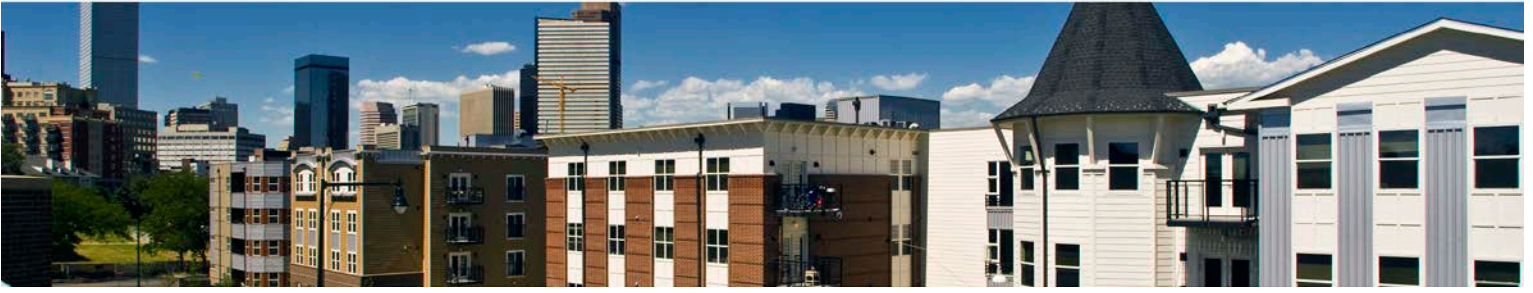
The budget for PATH contains \$661,343 in permit fees, tap fees and sewer development fees for the City of Aurora, which is unusually high for an affordable housing project. The development team has begun conversations with the City about the best way to offset the cost of these fees and will work diligently to realize savings in this area.

#### **Local Outreach**

Second Chance Center is in the City of Aurora and receives great support from local officials. Second Chance Center staff have continually engaged City administration and staff for support of this project. Additionally, Elevation Christian Church, seller of the land, will be located adjacent to PATH and has suggested that they would like to partner in providing faith based services to residents of PATH if the residents choose to take advantage of the opportunity. Additionally, Elevation Christian Church has offered to share parking on its existing lot if the need arises. Finally, to minimize visual encroachment on neighboring houses the design team has oriented the building in such a way to move it as far north on the site as possible without encroaching on Elevation Christian Church or affecting parking.



# 9% lihtc application narrative



Project Name: REDI Emporia

Project Address: 25<sup>th</sup> and Emporia St. Aurora CO

## Project Overview:

The REDI Corporation is pleased to present a service enriched integrated housing project for families and individuals with mental illness to be located in northwest Aurora. A portion of this project will serve very low income households with a mentally ill family member, while the majority will be available for the general public. This integration of special needs populations into traditional housing communities is a model REDI and other non-profits have used for years. Among other projects, it has been employed in several tax credit projects in the Colorado and has enjoyed a long track record of success. This will be the second submittal to CHFA for this project, and we are hopeful that it will be favorably considered. Our ability to maintain site control for another year is not guaranteed, so this may be our last opportunity to develop a project in this great neighborhood.

For just under 40 years the REDI Corporation has been a leader in the provision of housing for people with mental illness in the Denver Metro area. REDI currently operates 135 units of housing in 10 locations. REDI works collaboratively to deliver high quality homes, property management and professional services to our residents. The Ross Group, a local affordable housing management company, has managed our portfolio for 23 years. We also partner with a variety of local mental health supportive service providers. These agencies both refer clients to our facilities and provide ongoing case management support to help our residents succeed in their homes. This combination of real estate development, property management, and supportive services uniquely positions this project to address the housing needs of both low-income and special needs households.

With our longstanding ties to the mental health community in Denver, we know that many of our clients have difficulty finding appropriate housing combined with the services needed to assure their success. The proposed project will provide an appropriate mix of units both for

special needs clients and the general public. The unit mix will serve a diverse array of household types. In our experience, the resulting diversity creates a healthy and supportive environment for the community.

### Executive Summary:

The proposed project will be developed on a 0.9 acre site at the intersection of 25<sup>th</sup> and Emporia Streets in Aurora, located on the southeast corner of the Stapleton redevelopment area across from the Westerly Creek Trail. The project will be comprised of two walkup apartment buildings housing 38 apartment units, along with several garage parking spaces to be made available at no additional cost on a first come first serve basis. Units will be a mix of one (36%), two (36%), three (15%) and four (13%) bedroom types. Offices will be provided for property management and case management staff. A multipurpose community room will be available for residents, service providers, and events. A landscaped courtyard area will provide an area for outdoor activities.

The project will be financed primarily through LIHTC equity (75%) and will include a mortgage (15%) and soft funding from the City and State (10%).

REDI has assembled a team committed to quality construction materials and practices. We will use systems and materials that are high quality and provide a long term life cycle. The proper materials add to the quality of life for the residents and controls repair and replacement costs over time.

Our team is very familiar with green building practices and is at the forefront in understanding and implementing the Green Communities standards. We incorporate what we believe to be the best and most effective elements into the design and construction. These include, but are not limited to, infill location, high density, construction waste management, energy star rated appliances, finger-jointed framing materials, efficient lighting, low v.o.c. paint and adhesive, high life cycle exterior materials.

### Section 2 Guiding Principles:

- 25% of the units in the proposed project will be affordable at 30% of AMI; almost half of the units (44%) will be affordable below 40% AMI. This affordability will be assured for the longest period of time allowed, 38 years.
- The proposed project will be developed in a QCT

- The project sponsor is a Colorado not for profit corporation
- 25% of the units will be set aside to provide supportive housing for non-elderly special needs tenants.

Section 2 Housing Priorities:

- The project will serve persons with special needs

Market conditions: This will be a very affordable project, with 86% of the units serving households at or below 50% AMI. 25% of the units will be set aside as supportive housing for people with mental illness, which are also the same units set aside at 30% AMI. The PMA has a 2.1% overall vacancy rate; the LIHTC properties have a 0.2% vacancy rate. The required capture rate is 18.5%. Rents at the proposed project are well below surveyed Class B and C market rate projects, and will offer savings to tenants of 32% to 75% off market rents at these other properties. Our referral partner, the Aurora Mental Health Center, works primarily with households living below the poverty line. According to the Center there will be no problem identifying qualified residents for the 10 set aside units; over the past year the Center has seen increasing need for service enriched housing options for its clients. If needed, the Center has available transitional section 8 vouchers to assist families for the first 18 months of rent.

Readiness-to-proceed: The project is ready to proceed immediately upon receipt of an award of funding. The project sponsor is under contract to acquire the site. The project is located in an R-4 zone district, which allows for multifamily housing as a use by right. Roads and utilities are adjacent to this infill site, making it ready to build on.

Overall financial feasibility and viability: The project involves a number of different sources of funding. The vast majority of funding will come from the sale of tax credits being requested with this application. The project will apply for a local and State HOME award in September. The land is being acquired from Gary Community Investments at very favorable terms. Operationally, the project is viable without the need for ongoing Section 8 rental subsidy income. This is made possible in part through the generous partnership of the Aurora Mental Health Center, which has agreed to provide on-site services to residents at no cost to the project.

Experience and track record of the development and management team:

**REDI:** REDI has been providing housing for the mentally ill of Denver for over forty years. REDI currently operates 135 units of housing in 10 locations. REDI works collaboratively to deliver high quality homes, property management and professional services to our residents. REDI's

executive director, David Murphy, was on the forefront of the development of some of the State's first integrative housing projects while working with The Community Housing and Development Association, which developed the Willow Apartments. David is supported by a long serving capable and committed board of directors comprised of a mix of professionals engaged in real estate, finance, law, and service provision. While REDI has a healthy portfolio of apartments, it has never developed a tax credit project. For that reason, it has hired consultants to assist in financing and operating the project in compliance with the regulations unique to this program.

**Ross Management:** Ross Management provides property management services to a variety of for-profit and non-profit owners, and has served the REDI portfolio for almost 25 years. Ross has an excellent compliance track record with HUD, CHFA, and USDA Rural Development. Its portfolio is very well maintained and efficiently operated. Above all, Ross is compassionate to the needs of its residents, particularly those with special needs. Of note, Ross has a preexisting relationship with the Aurora Mental Health Center. As a result, many of the coordination issues that arise between property management and case management have already been addressed. Furthermore, these two entities have developed a set of resident selection criteria designed to identify households most appropriate and able to succeed in a supportive service housing facility.

**Aurora Mental Health Center:** AuMHC will be the provider of case management and supportive services to our residents. AuMHC has a 40 year history of serving the needs of people in the City of Aurora. Because 70% of their clients live at or below the poverty line, AuMHC provides many free or reduced cost services. The Center is also the primary provider of Medicaid mental health services in Aurora. As described in the attached MOU, AuMHC will be able to provide a variety of supportive services to the residents of the proposed project at no cost. Additional experience is included in the attached resume. AuMHC will also be the referral partner for the 10 units set aside for special needs residents, as described more fully in the attached referral agreement. REDI, Ross and AuMHC have worked together in the past in other capacities, and share an understanding of the tenant selection criteria that will position these families for successful independent living.

**Medici Consulting Group:** Medici works with a variety of local housing authorities and not for profits, assisting in the design, entitlement, finance and construction of both new construction and renovation projects. Medici has been engaged by REDI to assist in the overall development of the proposed project, a role that will end after stabilization and conversion to permanent financing. A recent project similar in some respects to the proposed project was the Guadalupe Apartments in Greeley. That project was of similar size, and offered supportive services to residents. Additional project experience is included in the attached resume.

Cost reasonableness: Project costs are generally consistent with today's marketplace. The land is being sold at favorable terms by a local foundation, which represents a significant savings. Construction costs are in line with today's market. The site is flat and level and ready for development. The building has an efficient design and contains no extraneous space.

Proximity to existing tax credit developments: The PMA has 14 existing LIHTC projects containing over 1,000 units. The proposed project will compete with 700 of these units that are comparable in terms of target market and income restrictions. The three closest projects are Bluff Lake, in Stapleton, and Florence Square, located on Colfax. Both are located about 1 mile from the proposed project location.

Site suitability: This is an excellent location for an affordable housing project. The site itself sits within an established residential neighborhood that is experiencing a fair amount of growth and redevelopment. 25<sup>th</sup> Street is being developed as the direct access arterial to the new light rail station under construction 2 miles east of the site on the Fitzsimmons campus. Some area features include the following:

**Parks and Recreation:** Across the street is the Westerly Creek Trail, which provides immediate access to open space, bike paths, and other regional parks including Central Park and Fred Thomas parks in Stapleton and the Bluff Lake Nature Center. Six blocks east of the site is the Morehead Recreation Center, which is undergoing a \$13M renovation and will reopen in this summer. The center provides typical gym, workout space, and aquatic areas. But it also provides an array of programs, including affordable after school childcare.

**Shopping and Services:** One and a half miles to the west is a new King Sooper's anchored retail center. Two miles to the east is the Fitzsimmons medical complex, along with associated retail and office development. Colfax is 5 blocks south of the site and offers numerous shops and services along its entire length. 2 miles to the north is the new Northfield shopping center. The Stanley Marketplace is just a few blocks west of the site, and is now open.

**Schools:** North Middle School and Montview Elementary School are both located within 1.5 miles of the site. The Isabella Community School (within DPS) is less than a mile away. The Fletcher Community School (an Aurora pilot school) is just blocks from the site, and offers K – 5 education.

## Underwriting Criteria

1. Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum): N/A
2. Justification for Cost Limit Waiver: N/A

Market Conditions: Over the past year, vacancies have continued to fall, while rents have been increasing, creating an ever more urgent need to bring affordable housing into this marketplace. Currently, the PMA has a 2.1% overall vacancy rate; the LIHTC properties have a 0.2% vacancy rate. The required capture rate is 18.5%. Rents at the proposed project are well below surveyed Class B market rate projects, and will offer savings to tenants of 32% to 75% off market rents at these other properties. Our referral partner, the Aurora Mental Health Center, works primarily with households living below the poverty line. According to the Center there will be no problem identifying qualified residents for the 10 set aside units. In fact, these will be the only non-subsidized 30% AMI units within this PMA.

Environmental: There are no environmental concerns identified in the Phase I.

## Community Outreach and Local Support:

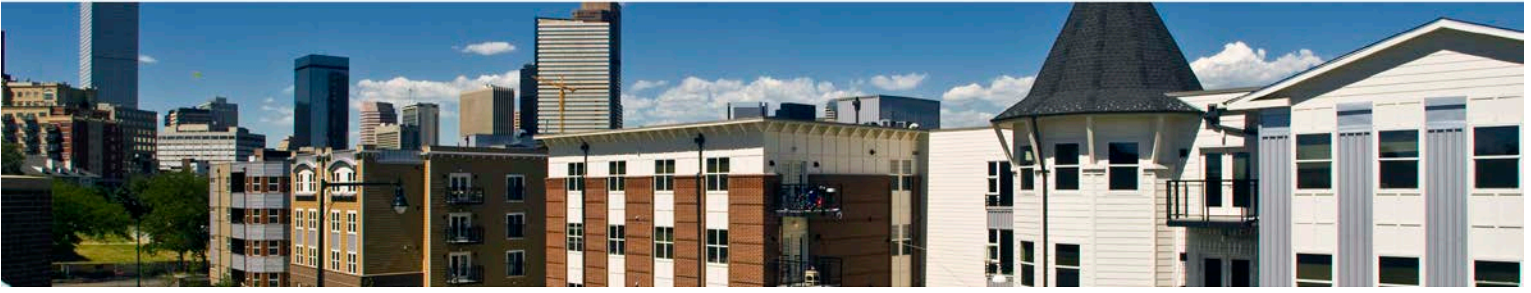
This opportunity originated within northwest Aurora several years ago through the work of Gary Community Investments. Based on a survey of communities at risk of gentrification and in need of investment supportive of exiting residents they targeted this community and this site in particular. The proposed project arises from this long term commitment to the area. Financially, Gary Community Investments has worked with REDI to structure a transaction that supports the challenging financial needs of projects like this.

The City is very supportive of the project. From an entitlement and land use perspective REDI and its team have been engaged for many months working with city staff to better understand the appropriate design and density for this neighborhood. The proposed project is consistent with and supportive of zoning and planning for this area and will require no variances from established building and zoning codes other than for overall parking count. Based on our discussion with the City of Aurora staff, Aurora supports a parking reduction based on the proposed use and the presence of ample street parking along every adjacent roadway. We have also had discussions about the proposed project with the City Council member for this Ward, Sally Mounier, who has been very supportive of our efforts. We have been in touch with representatives of both the City and State in terms of garnering additional soft funding and have received letters of support from each.

The local non-profit community engaged in the provision of services to the low-income and mental illness communities has been particularly supportive of our efforts. The lack of quality affordable housing, the challenges faced by those with mental illness, and the opportunity to partner in the provision of services are common themes presented by these agencies. Attached are letters of support from several of these providers. As the project continues to progress we've also begun conversations with a few institutions in our immediate neighborhood. One of note is the Morehead Recreation Center, located about 5 blocks east of our site. The center is currently closed for a \$13M renovation, but will reopen this summer and be a great resource for the families living at our project, offering after school programs, fitness classes, and community gathering space.

This is a great opportunity to create quality affordable housing that supports families and those with mental illness. The team is experienced in development and in providing and maintaining high quality services to our residents.

# 9% lihtc application narrative



Project Name: **River Bend Residences**

Project Address: **2544 Colorado Blvd. Idaho Springs, CO 80444**

## **(1) Executive Summary:**

Often referred to as the Gateway to the Rocky Mountains, Idaho Springs in Clear Creek County, offers residents and visitors a mix of tourism, recreation, restaurants and historical sites. This community, located 30 minutes west of Denver, is home to the second most visited river (Clear Creek) in Colorado, Loveland Ski Resort, Georgetown Railroad, and the historic Argo Mine and Mill. This small, rural town of less than 2,000 residents has experienced virtually no redevelopment in over twenty years. As the regional economy has heated up, the lack of affordable housing has driven much of the workforce to commute from as far away as Denver, or seek temporary residence in local campgrounds or extended stay hotels. Realizing the negative impact the lack of affordable housing was having on their community, Clear Creek County Commissioners issued an RFP in 2016 seeking an affordable housing developer, in which Herman & Kittle Properties, Inc. (“HKP”) was selected.

The proposed development has received great support and enthusiasm at both the county and city level. The timing of the proposed development aligns with a myriad of related development opportunities occurring in Idaho Springs, namely: the Dana Crawford-led team who is transforming the historic Argo Mine and Mill into a conference center and hotel; the City’s recent adoption of the East End Action Plan (“EEAP”) which will catalyze redevelopment and turn Clear Creek into a local amenity; the extension of the 65-mile Jefferson County Peaks to Plains trail that will connect Idaho Springs to Adams County; and the Colorado Department of Transportation’s improvements to Colorado Boulevard – Idaho Springs’ main street.

Capitalizing on the unmet need for quality affordable housing, HKP is proposing to develop River Bend Residences - a 43-unit multifamily rental housing development at 2544 Colorado Boulevard in Idaho Springs. Designed to support family/workforce housing, the property will contain 9 units at 30% and 40% AMI, each, and 25 units at 60% AMI. **This highly desired development would be the first LIHTC project in Clear Creek County.**



The two contiguous parcels (1.36 combined acreage) front Colorado Boulevard and back up to Clear Creek. The infill lots are adjacent to commercial uses including a post office, hardware store, a music studio, and an extended stay hotel. Improvements to Colorado Boulevard are underway and will include sidewalks, street crossings, and entrances designed to promote pedestrian activity throughout downtown Idaho Springs. The proposed development is conveniently located less than 1.0 mile from the Sampler Mill Recreation Center, which has exercise rooms, meeting rooms for community activities, a gymnasium, and indoor swimming pool. There is also a swim school, youth sports, classes of all types, as well as temporary daycare while parents exercise. Convenient shopping is located in the historic downtown of Idaho Springs (0.6 miles), while a Safeway grocery store (0.1 mile), and a convenience store (300 feet) are within walking distance to the property. Primary schools are located within a mile of the site while the area high school, the Colorado School of Mines and a local community college are within 6, 15 and 20 miles, respectively. A community park, 0.3 miles from the proposed property, has a playground, trails, access to the river, and other amenities. The park will be expanded and renovated as part of the Colorado Boulevard Reconstruction and Greenway Trail projects, including extended river access, amphitheater space, garden amenities, 34 more parking spaces and restroom facilities.

The proposed development is comprised of two buildings, one on each lot. The easternmost lot (the “Howard” parcel) is occupied by a collection of trailers (“Trailer Villa”), which will be removed prior to construction. Although relocation under the Uniform Relocation Act is not required, HKP has budgeted for moving expenses out of contingency funds, as well as provided the trailer tenants with the opportunity to pre-qualify for housing at River Bend Residences. The Howard parcel will support a 3-story building (“Building A,” 35,883 GSF) over a 12,000 SF, 32-stall podium parking garage. The Type V-A residential construction is a wood-framed building over spread footing foundation. The exterior skin is predominantly a hardiplank siding, with brick and stone accents and a combination of flat and pitched roofs. This elevator-served building also includes two stair cores to maximize circulation and access to the parking garage. Building A includes 37 one and two-bedroom units (24 and 13, respectively), as well as an onsite property manager office and common amenities—available to tenants of both buildings—that include a laundry area, fitness room, lounge/game area, a kitchenette, computer station with free wireless internet access, and a bike repair area. Bike storage is available at each of the covered parking spaces in the garage. An additional 16 surface parking spaces and outdoor common areas adjacent to the creek are included on the Howard parcel.

The westernmost lot (the “Shepherd/Miller” parcel) will support 6-units of 2-story walk-up stacked flats (“Building B,” 5,541 GSF) with 13 surface parking spaces. The Type V-B residential construction is a wood-framed building over a slab-on-grade foundation. The exterior skin is similar to Building A and reflects a contemporary design intent with a nod to the area’s historic mining culture and aesthetic. Both buildings include security features such as limited access entries and security cameras. Each residential unit will have PTAC wall units for heating/air conditioning/ventilation, blinds, carpet, a ceiling fan, and storage closet, coat closet,

patio/balcony, refrigerator, stove/oven, dishwasher, garbage disposal and microwave. All two-bedroom units will have a walk-in closet. This high-density development (31.6 units/acre) will be certified to the National Green Building Standard's Bronze performance level. Prescriptive energy efficiency measures will include high performing insulation and windows, as well as Energy Star rated lighting and appliances.

We anticipate the proposed development to be financed with equity generated from the sale of 9% LIHTC, conventional debt, general funds from Clear Creek County, and deferred developer fee. Our team has met several times with the city and county leaders, planning staff, and various stakeholders, and has participated in two public hearings with the city's planning commission and the city council. Included with this application are letters of support from the City of Idaho Springs, Clear Creek County, and the managers at Loveland Ski Area and the Georgetown Railroad.

**(2) Priorities in Section 2 of the Qualified Allocation Plan (QAP):**

The 2014 population of Clear Creek County was 9,187 persons, thus, the project meets the "Projects in Counties with populations of less than 175,000" priority in Section 2 of the QAP.

**(3) Guiding principles in Section 2 of the QAP:**

River Bend Residences will have 9 units (21%) income restricted at 30% AMI with the balance restricted at 40% (21%) and 60% (58%). The property will execute a 40-year LURA, effectively serving the lowest income tenants for the longest period of time.

An allocation of credits to River Bend Residences, **which would be the first for Idaho Springs and for Clear Creek County**, supports CHFA's mission to distribute housing credits across the state, particularly to rural areas.

An allocation of credits to River Bend Residences would be the first for HKP in Colorado, thus creating an opportunity for this highly qualified, nationally recognized sponsor of affordable housing to enter the Colorado market.

Other than an age-restricted, market rate senior property developed in 2006, River Bend Residences will be the first multifamily property developed in Idaho Springs in over twenty years. Distributing credits to this area will create much-needed housing for local families and the area's workforce – many of whom are currently living in substandard conditions, including campgrounds and extended stay hotels, or driving over 50 miles from neighboring communities to access employment.

Herman & Kittle Properties is requesting approximately \$999,886 in annual credits, which is the amount necessary for the project's financial feasibility. Local funds are limited due to the small size and rural character of the city and county where River Bend Residences is located. However, the county has demonstrated their support in the form of a cash flow contingent note to the development and its housing authority is willing to participate in the development as a special limited partner.

**(4) Criteria for approval in Section 2 of the QAP:**

- a. Market conditions:** The market conditions for River Bend Residences are exceptional due to **no competing LIHTC properties in the county**, low vacancy rates, a limited supply of rental housing, and sustained economic and job growth in the primary market area ("PMA"), which is equivalent to Clear Creek County. Moreover, River Bend Residences is the only LIHTC project in the PMA's development pipeline. The superior amenities and low rents (compared to surveyed market-rate properties which are of inferior quality and condition) will provide a good value to potential tenants. A capture rate of 19.7% required to obtain full occupancy indicates the target market is woefully underserved. With as many as 27% of those employed in Clear Creek County living outside the PMA, some as far away as Denver, River Bend Residences will provide much-needed housing close to jobs, thereby strengthening local businesses, schools, and the community as a whole.
  
- b. Readiness-to-proceed:** With the exception of a parking reduction request from 1.6 spaces per unit to 1.4 spaces per unit, which must be approved by the Planning Commission, the proposed development is ready to proceed. The site is zoned for the intended multifamily use. As noted in the attached letter from the City's Community Development Planner, the parking reduction request will require review and approval by the Planning Commission during the site plan process. To note: a parking study justifying the requested parking reduction was presented to the Planning Commission and the City Council without objection. The timeline to entitlement approval is approximately 90 days.

Since the Phase 1 Environmental Report indicated Recognized Environmental Conditions, HKP proceeded with a limited site investigation in order to ensure that any environmental hazards could be reasonably mitigated and would not hinder the development schedule. As recommended, HKP will properly manage impacts to groundwater should they be unavoidable during construction, as well as prepare a Materials Management Plan for implementation during construction.

Lastly, the schematic drawings have been priced and the proposed building is financially viable to construct. Financing and funding commitments from the sources identified in this application will be secured in an appropriate time frame.

- c. **Overall financial feasibility and viability:** River Bend Residences is financially feasible if awarded an allocation of 9% LIHTC. Because this site is not in a QCT or in a DDA, a 4% option is infeasible. In addition to federal LIHTC equity, HKP is assuming permanent loan proceeds, a Clear Creek County contingent note, and finally, deferred developer fee. Eagle Capital, the equity syndicator and the financial consultant, RCH Jones, have run the project through their tax credit financial models, providing consensus on its financial viability under the current assumptions.
  
- d. **Experience and track record of the development and management team:** Currently the nation's 11<sup>th</sup> largest developer of affordable housing (3<sup>rd</sup> largest in 2015), HKP's expansive portfolio includes over 13,000 apartment homes in 15 states. HKP serves as not only the developer, but also the property manager and general contractor of their properties. As long-term owners, durability and sustainability are important to HKP – as is a solid commitment to the communities in which they do business. HKP has learned through experience that local partnerships are key to a project's success. That is why HKP has partnered with RCH Jones Consulting and SCB Consulting to bring forward **Idaho Springs/Clear Creek County's first ever LIHTC development** and first multifamily development in over 20 years. Due to the high quality/high touch of entitlement and financial underwriting services provided, along with their ability to work closely with community stakeholders, Ryan Hibbard Jones and Shannon Cox Baker are recognized as exceptional affordable housing consultants. Collectively, Jones and Cox Baker have over 18 years of experience in the affordable housing industry having managed the development of various affordable housing communities across the US, particularly in Colorado.
  
- e. **Cost reasonableness:** The project costs for River Bend Residences reflect current hard cost information, and have been reviewed and verified by a third party. Construction costs in Colorado have been increasing by up to 0.25 percent monthly. In order to account for the volatile commodities and labor markets, HKP has obtained up-to-date cost estimates by local contractors and included a 5.0% hard cost contingency. The construction costs for River Bend Residences may be higher than comparably sized projects due to the site's infill location as well as complexities associated with developing in the mountains where proximity to labor and materials, and adverse weather conditions are common.
  
- f. **Proximity to existing tax credit developments:** *There are no LIHTC projects within the PMA.* The market analyst surveyed a mixed-income (LIHTC/market-rate) property in Central City that is 3.6 miles from the subject in Gilpin County along with three projects farther east within 19.8 miles of the subject in Lakewood and Golden, which while found to be in average condition were still obtaining the maximum allowable rents.
  
- g. **Site suitability:** The site's location provides good access to local shopping, services, education and arterials, as well as good visibility. Its inclusion in the East End Action Plan, an overlay district which suggests several strategies to reinvigorate the east side of

Idaho Springs, and the redevelopment of Colorado Boulevard, will further increase the location's desirability.

**(5) Issues raised by the market analyst:**

According to the market study, there are no issues or recommended changes for the proposed development.

**(6) Issues raised in the environmental report(s) and related mitigation measures:**

Herman & Kittle Properties and Clear Creek County commissioned Terracon Consultants to perform the following environmental site assessments:

- Phase I ESA for 2544 Colorado (the "Howard Site") dated April 3, 2017
- Phase I ESA for Shepherd/Miller Parcel (the "Shepherd Site") dated June 23, 2016
- Phase II Limited Site Investigation Report for both sites dated May 4, 2017

Some Recognized Environmental Conditions were discovered, and Terracon has recommended possible mitigants which HKP believes are achievable and within budget. For both sites, Herman & Kittle commissioned a Phase II limited subsurface investigation. Please see the attached summary of the environmental conditions for further information.

**(7) Unusual features that are driving costs upward, opportunities to realize cost containment:**

Outlined below are the unusual features contributing to higher than average costs.

- Winter Conditions: Given the winter conditions in Idaho Springs, we have increased our construction schedule from 12 to 14 months. With the increased construction schedule, HKP allotted funds to account for two winter cycles during construction. In addition, shortage of skilled labor, snow removal as opposed to onsite storage, maintaining proper drainage and erosion control measures along Clear Creek – particularly during periods of snow melt or rain, and the shortened season for excavation all contribute to higher than average construction costs and risks.
- Site Layout Constraints: Although the site is located in an ideal location within Idaho Springs (close proximity to amenities and recreational facilities, excellent visibility and a picturesque setting), it has some inefficiencies in terms of design. The two lots are contiguous at the rear property line, but are separated at the street frontage by properties owned by third parties. Therefore, two separate entrances are required off of Colorado Boulevard. Additionally, the sloped topography of the easternmost site is more technical to develop and necessitates a unique building design, requiring podium style parking under the building. Site size and proximity of the site in relation to major cities will create unique just in time delivery of materials that could cause delay in the construction schedule.

**(8) Outreach efforts and demonstrated local support for the project, including financial:**

Attached are letters of support from the Idaho Springs City Council, the General Manager of the Georgetown Loop Railroad, Clear Creek County, and the Director of Business Operations for Loveland Ski Area. As stated in the letters of support from two of the top local employers, Idaho Springs is in dire need of affordable housing in order to retain and grow the local workforce needed to support the increase in visitors and tourists to the historic area.

While the City of Idaho Springs does not have any allocated affordable housing funds, Clear Creek County has committed to providing gap financing. Furthermore, in January of this year, Clear Creek County officially established a Housing Authority for the purpose of supporting affordable housing developments, starting with this proposed development.

**(9) Additional documentation that supports the narrative:**

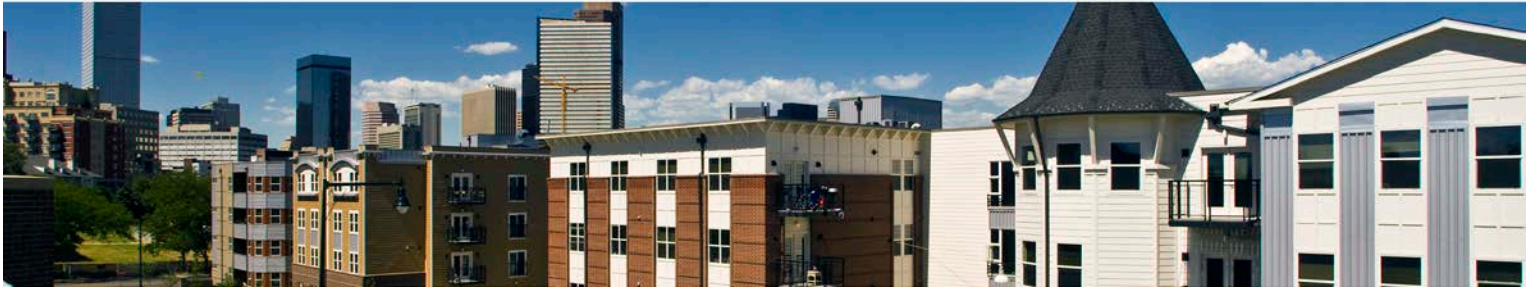
Since 2011, Idaho Springs has experienced an average annual growth in sales tax revenue of 14%. See the attached summary of Idaho Springs Sales Tax 2011-2017. Housing has not kept pace with the demand for service workers in the community.

Denver-based developer, Dana Crawford, has partnered with local entrepreneurs to expand and redevelop the historic Argo Gold Mine and Mill, which is located to the north, across Clear Creek from River Bend Residences. The planned expansion will include a 160-room hotel, conference center, 200 higher-end market-rate rental units, retail stores and a restaurant. The economic benefits from this proposed redevelopment will offset the property tax revenue lost from the closing of a nearby mine in Empire, as well as create new jobs for the residents of River Bend Residences, further increasing the demand for high quality affordable housing in close proximity to the Mill. See the attached Denver Post article for details on the redevelopment. A 2016 economic feasibility study for Idaho Springs demonstrates pent-up demand for 990 hotel rooms, 677 multifamily units and 171 homes. The study shows 43,000 cars a day driving through Idaho Springs on I-70, and that number growing at 5 percent a year. According to the 113-page study, 20 million people pass through Idaho Springs every year.

**Additional documentation included with this application:**

- Summary sheets on areas of interest
- Market data
- Letters of support

# 9% lihtc application narrative



**Project Name:** Senior Residences at Three Springs

**Project Address:** Wilson Gulch Road – Durango, Colorado

## 1. Executive Summary:

**Summary:** Volunteers of America (VOA) is pursuing a 9% LIHTC award to fund a brand new 46 unit senior community in Durango, Colorado. The project is conceived as a two-phase development, totaling 100 units at build out, in the beautiful mixed-use development of Three Springs. The project will aspire to provide high quality, healthy living for seniors to complement its excellent location three blocks from the Mercy Regional Medical Center. VOA will provide services to the senior residents by committing a half time service coordinator to the project and forging strong partnerships with the Mercy Regional Medical Center and the Durango Senior Center. These services will allow the project's senior residents to thrive and continue to live successful independent lives for as long as possible. The project site also benefits from a new \$58 mm interchange which provides direct and easy access to downtown Durango and being located next to a great network of open space and walking trails. Additionally, the City of Durango and Three Springs are planning a significant amount of commercial development, including major retailers, directly adjacent and near the site. With the future build-out of the area along Wilson Gulch Road, the entire project will benefit from its connectivity to transit, retail, medical, services, and the larger social network will enhance the quality of life inherent in the location.

**Population:** New apartment homes will be available to residents with incomes in the range of \$15,420 AMI to \$35,220, aged 62+. VOA specializes in older senior residents and it is expected, based on VOA's other senior properties in Durango, that a significant number of residents will be over the age of 75. Considering the relatively low incomes and older age of residents, the services provided by VOA staff and its partner agencies create an ideal housing environment for vulnerable seniors.

**Bedroom Mix:** Most apartments will have one bedroom but the property will include a small number of two-bedroom units. Eight units will be set aside at 30% AMI, with the remaining units available at 50% and 60% AMI. The market study confirms that the range of AMI availability and mix of bedroom types will support the project's marketability to a wide range of senior renters.

**Location:** The project is located in the Three Springs/Southfork annexed development area of Durango, close to Mercy Regional Medical Center, fire/police substation, transit, open space and trails, and current and future commercial and retail development. The narrative describes the location in greater detail below. Please see the attached Location Maps to see the site in proximity to essential and desirable community features.

**Amenities:** In addition to good in-unit features, the project features significant community areas to accommodate social activities and daily programs, including outdoor patio and garden areas. More information on project amenities can be found in the narrative below.

**Services:** VOA specializes in providing service-enriched housing for the most vulnerable members of society, including the future senior residents of the project. As part of this Phase I development, a Service Coordinator office will be built and a half time service coordinator provided to assist residents.

**Construction/Energy Efficiency:** The building is a three-story wood frame construction apartment building with interior hallways and a generous main lobby, office, and community space area. The mass and scale are appropriate to the existing and future uses of this part of the Three Springs area, which includes higher-density zoning, including the hospital campus. The building will have hardiplank and masonry cladding to provide visual interest and more “townhouse” style differentiation. The building entrance, which includes a canopy cover, surface parking area, and outdoor patio and recreation areas are south-facing for maximum usability year-round and to avoid the build-up of hazardous ice. The building incorporates a number of thoughtful energy efficiency features described in more detail in the project’s Enterprise Green Communities self-certification.

**Financing:** In addition to LIHTC equity, financing assumes use of a CHFA Healthy Homes Fund loan paired with a conditional construction loan, a VOA Capital Magnets Fund loan based on project affordability, and funding from CDOH.

**2. Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP): Projects in Counties with populations of less than 175,000:** The US Census Bureau estimates the 2016 population of La Plata County at about 55,600 people.

**3. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:**

- **To support rental housing projects serving the lowest income tenants for the longest period of time:** The project includes eight units, or 17%, at 30% AMI. Affordability will be covenanted for the maximum of 40 years. VOA typically serves residents with the highest need and anticipates that many residents will have very low income and require some level of basic services to remain successfully in place.
- **To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria:** Although the project is not located in a QCT, it is located in a DDA with significant community comprehensive plans that support the creation of this project. Please see attached for more information.
- **To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas:** Durango is a smaller, rural mountain city of about 18,000 people.



- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit:** VOA is a significant non-profit housing provider with a strong presence in southwest Colorado, Colorado as a whole, and across the nation. Please see attached information describing VOA.
- **To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing:** The project provides housing for seniors.

**To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail:** A bus stop for the Durango Public Transit System is located a few blocks from the site, which connects the site to the Mercy Regional Medical Center, another stop in Three Springs, and throughout the rest of Durango. In addition, the site will be served by transportation provided by the Durango Senior Center and the Opportunity Bus. Please see attached for route and fare information. The local transit system is a critical component to the project's success, since it connects future residents to the full range of shopping (including Walmart, City Market and other retail), services, recreational and community amenities available within Three Springs as well the downtown area of Durango. According to the market study, the site has "very good access to the Walmart as well as to Downtown Durango and the senior center. The Durango Public Transit System buses run every 30 minutes, from 7:08 am to 6:38 pm, weekdays. The standard one-way fare is \$1.00, and \$0.50 for senior citizens."

- **To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing:** This is a new construction project.
- **To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period and to reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval:** The annual credit amount is appropriately sized, considering the upward construction premium associated with construction in southwest Colorado and the need for financing options to supplement the lower incomes and rental rates in the community.

#### **4. Describe how the project meets the criteria for approval in Section 2 of the QAP:**

- Market conditions:** According to the market study, current market conditions include very low vacancy (1.4%) and a high level of senior renter growth on top of existing pent-up demand for senior housing. In both La Plata County and the City of Durango, the senior segment of the population is growing the fastest, according to State Demographer's Office data. All local family LIHTC properties have waitlists of 20-88 applicants. Most family LIHTC projects have many seniors living in them. This pent-up demand for senior housing with the majority of the proposed units' rental rates in the \$600 - \$800 range will overcome any lease-up issues that come with the amount of residential construction expected over the next two years. Market rate rentals range

from about \$900-\$1,300 and for-sale single family prices range from \$275,000-\$500,000.

VOA's Cedar View apartments are the only designated senior affordable housing (30% AMI and below) in Durango. Construction of the Senior Residences at Three Springs will allow any interested income-qualifying seniors to move out of affordable or market rate family housing and into beautiful new senior housing with available services and programs. Development of this new senior housing community will take pressure off of the existing housing stock and connect seniors with housing that serves them best. In addition, this project will provide housing options for seniors who no longer wish to live in dispersed rural locations but are interested in moving into town, if they have a quality option, allowing them to successfully age in place. The project's location along Wilson Gulch Road, soon to be a regional thoroughfare, ensures good visibility that will support its lease up and long term full occupancy.

Amenities are intended to respond to resident and market need, keeping residents successfully housed and units occupied. Residents' units will contain air conditioning, stacked washer/dryers, carpeted bedrooms, and large storage closets for additional storage. Residents will only be responsible for electricity payments – all other utilities are included in the rent, keeping the overall cost of living expense low. The building will have generous resident amenity and community spaces that are appropriate for the high level of community programming that will take place on-site. The indoor resident amenity area of the building is purposefully oriented to take advantage of the southern exposure and views of the outdoor terrace and surrounding mountains. Both VOA on-site property management and resident services staff will serve the project and be available for the project's residents and needs for quality living. A sample schedule of resident events is included with this application, augmented by events and programs put on by VOA's partners in the community. Residents will also be able to enjoy an outdoor terrace, gardens, and a shaded picnic area. The building will be secured with a controlled-access system. The 35-acre Southern Open Space Park, which contains walking trails and water features, is 2 blocks away and links to the entire Three Springs trail system. The Three Springs Plaza commercial mainstreet area is a short walk or bus ride from the site, and includes restaurants, banking, fitness center and other retail amenities.

- b. Readiness-to-proceed:** The project is zoned by-right for multifamily housing. VOA has the site under contract with the City of Durango and they are ready to convey the land to the sponsor, contingent upon a successful LIHTC award. In addition to a preliminary architectural design, a preliminary civil design and soils borings have been completed. The project benefits from having the full support of the City of Durango and being located within Three Springs. All of these factors will allow VOA to move through the site plan approval and full building permit process very efficiently.
- c. Experience and track record of the development and management team:** VOA is 121-year old non-profit agency providing housing and services to seniors, people with disabilities, people leaving homelessness, and families. Please see attached information from VOA and its development team members for more information on its qualifications as a housing and services non-profit provider.
- d. Overall financial feasibility and viability and cost reasonableness:** The project's construction and soft costs budgets have been developed using current, local data generated by the General Contractor and corroborated by other local construction information, and informed by VOA's recent development budgets on other projects. In addition to LIHTC equity, the project will utilize a commercial construction loan and CHFA's Health Housing Fund loan as permanent financing. Soft funding will include

grants from Colorado Division of Housing as well as VOA's Capital Magnet Funds. VOA received a Capital Magnet Funds award from the U.S. Department of Treasury and is committing a portion of those funds to this project for a significant number of 30% AMI units. The project's financing also benefits from land at no cost, reduced tap fees, and VOA's deferred developer fee. Letters of Intent from all funding sources are provided and demonstrate overall financial viability. In addition, the Healthy Housing Fund services grant will support healthy living programs and services.

- e. **Proximity to existing tax credit developments:** This project will be the first and only senior LIHTC project in the Durango area. Piñon Terrace, a family LIHTC project, received a 9% award in 2006 and is located on the north side of the Three Springs development and had a 58 person waitlist this spring.
- f. **Site suitability:** The site is excellent for senior housing based on the recent completion of the Grandview interchange, its transit connectivity, nearby Mercy Regional Medical Center and all of the services it will offer as well as the police and fire substation, and location near open space trails and future retail development. Residents will be in the middle of a true mixed-use comprehensive village setting.

The City of Durango annexed the Southfork parcel on the eastern side of the Ewing Mesa, slightly separated from the main part of the city. The Three Springs development within the Southfork area is being developed into a master-planned, New Urbanist community that centers on the relocated Mercy Regional Medical Center, new commercial mainstreet areas, and the development of an array of housing options. Three Springs' master developer and owner is the Three Springs Growth Fund, a company of the Southern Ute Nation, a tribal community with a strong presence in the Four Corners area.

The project is poised to be at the center of a high-visibility community node. Wilson Gulch Road, which fronts the project, will become a major thoroughfare of the Three Springs development area with the reconfiguration of US Highway 550 along a major interchange construction project, located immediately to the west of the Southfork/Three Springs area. The completion of the planned realignment of US Highway 550 will further enhance access to Three Springs from New Mexico and enhance the visibility of the corridor. Please reference the attached Aerial Map which shows the proposed realignment of Highway 550. Three Springs is planning major retail development along Wilson Gulch Road. A 256,000 square foot shopping center is anticipated to be built directly adjacent to the west of the subject property, within the next 12-24 months. On the other or north side of Wilson Gulch Road, additional large and mid sized retailers are being planned. With the huge investment in infrastructure into the new Grandview interchange and realignment of US 550, the City and State is designating the area very close to the subject site for retail and tax revenue growth for the Four Corners region. Currently, Three Springs has about 400 units of housing for 800-1000 residents, as well as 1,600 workers. These future commercial/retail development plans will give Three Springs significant additional presence and increase the housing count to approximately 2,200 units and between 4,500-5,000 residents. A new fire substation will also be built across the street from the site next to the police substation. Please see the attached Location Maps to see the site in proximity to essential and desirable community features.

Durango is a regional hub for the four corners area and the larger Durango area contains a full complement of community living that includes trails and open spaces, a full range of big box, mid box, and small scale retail and office uses, good community services provided by the Durango Senior Center, Durango Public Library System, Fort Lewis College and Southwest Community College, a vibrant historic downtown district, nearby

access to skiing and winter sports as well as many other outdoor activities, proximity to national parks including Mesa Verde and Silverton, a seasonal farmer's market, and local arts and culture.

**5. Provide the following information as applicable:**

**a. Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):** In order to maintain the financial viability of the project over the compliance period while still including a significant number of 30% AMI units and supportive services, the project is using a relatively small amount of permanent debt, contributing to the debt coverage ratio above 1.30.

**b. Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:** The project is located in a HUD-designated DDA.

**6. Address any issues raised by the market analyst in the market study submitted with your application:** In a remote, rural community with relatively small populations, like Durango, any new housing development dramatically affects local capture rates. According to the market study, the capture rate of the proposed AMI mix exceeds CHFA's typical limits, even including an in-migration factor, but is supportable based on the project location, strong occupancy and intense demand for senior housing in the PMA as well as the attractive amenities and unit features. The capture rates and in-migration proposed by the market study have been reviewed by CHFA for viability. The need for housing in the proposed ranges and including in-migration are corroborated by data collected about members of the waitlist for the existing VOA owned Cedar View properties.

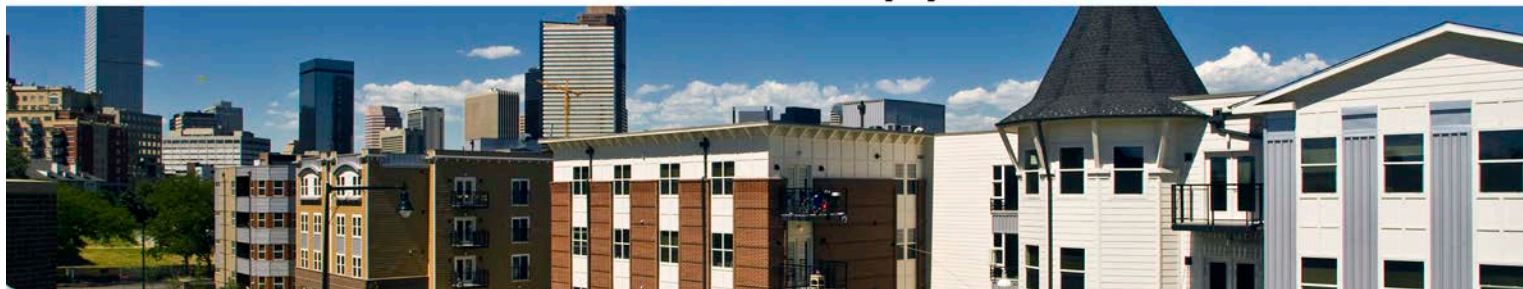
In addition, the market study indicates that the location in Three Springs, further away from central Durango, puts it at a disadvantage. However, this is mitigated by several factors. First, the local transit line runs directly next to the site, connecting the residents with commercial, medical, recreation, and services both within the Three Springs development as well as in central Durango. Housing and transit significantly support each other's success in this development. Secondly, the Three Springs/Southfork area is undergoing build out of a significant amount of retail construction, which will allow residents to address their daily needs close to home and without taking a trip to central Durango or other nearby shopping. Given that many areas of Durango are fully built out, the Three Springs development is the area of future targeted growth by the City.

**7. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:** None. The project budget includes radon mitigation. A passive mitigation system will be installed as a part of the foundation construction. Upon completion, units will be tested for radon levels and, if excessive levels of radon are found, the passive system will be converted to an active system as appropriate.

- 8. Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:** Durango's location near the Four Corners area of Colorado presents construction challenges. The city is a significant distance from any interstate highway, making it less accessible for delivery of construction materials and creating a constrained construction labor market. Location factors contribute to increased project costs when compared to other Metro-area projects. In addition, it is important to construct durable buildings in order to reduce long-term maintenance costs. The design team has strived to build a very cost efficient project; three story, stick frame structure with surface parking. Although not extravagant, the design and associated construction costs represent a façade package that fits into Three Springs and supports long term durability.
- 9. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):**

VOA has served the Durango community with service-enriched housing through its two Cedar View senior housing properties (HUD 202's) and its community shelters for many years and is well known in the community. Because of its presence, local community leaders and housing advocates proactively contacted VOA to request its assistance in exploring developing additional affordable housing in the region to meet the pressing need. VOA has responded to this invitation and, significantly, the Three Springs Growth Fund, in partnership with the City, has agreed to donate the 3.1 acre Wilson Gulch Road site to VOA, saving the project hundreds of thousands of dollars. In the initial project phases, VOA has conducted significant outreach – to the City planning staff, City Council, La Plata County Commissioners, Mercy Regional Medical Center, and the Durango Senior Center, amongst others. VOA recently provided a project update to City Council and received full City Council support. Please go to <http://docs.durangogov.org/sirepub/mtgviewer.aspx?meetid=2272&doctype=AGENDA> to view this meeting. Through conversations with all of these area agencies and partners, the community has expressed their full support and enthusiasm for the proposed **Senior Residences at Three Springs** project – attached to the application are support letters from the City, the County, San Juan Basin Area Agency on Aging, the Three Springs Growth Fund, and HomeFund . In addition, the affordable nature of the project entitles it to a reduction in ongoing sewer fees, reducing the operating expenses of the project, which strengthens its financial viability, as well as a \$57,500 reduction in tap fees. Please see attached support letters that demonstrate local support for the project.

# 9% lihtc application narrative



Project Name: Torin Point

Project Address: 1715-1795 Torin Point (intersection of Jet Wing Drive and Fountain Blvd), Colorado Springs, Colorado

## Project Strengths

The market demand for attainable and affordable housing in Colorado Springs is unprecedented. According to the 4/27/17 Colorado Springs Gazette, "*The average rent for Springs-area apartments is \$1060.84 in the first quarter of 2017... a 10.5% increase over the same period in 2016... This is the 8<sup>th</sup> straight quarter that rents hit a record.*" The surveyed LIHTC developments in the PMA have a vacancy of a historically low 0.6% and lengthy waitlists.

The capture rate for this 72 unit project is 12.7%, an increase of only 1% from the existing units capture rate, highlighting the remarkable need for affordable units.

The project has received significant local support from the City of Colorado Springs departments -- the Community Development and Planning and Economic Development departments, as well El Paso County Housing Authority and the Colorado Springs Housing Authority.

Importantly, Torin Point has a Memorandum of Understanding in place with Partners in Housing (PIH), a local group that provides services and transitional housing to homeless families. The owner/developer Investors Capital Group (ICG) will give PIH preference for the 30% AMI units at the property. This is a win/win for both groups as the property gets referrals for extremely low-income residents who are formerly homeless and housing ready, and PIH is then able to access critically needed 30% AMI family units in a market that currently has none.

With the lower density, the site has a campus-like feel. Additionally, Torin Point project has exceptional amenities tailored for the families that will live there.

## Summary

Torin Point is a 72-unit garden style development with 4 one bedroom/ den, 32 two bedrooms and 36 three bedrooms units in 4 buildings including a community building. The development is well suited to serve families with the preponderance of larger units. The proposed AMI set aside is:

- 7 units at 30% AMI (**the first 30% AMI units in the PMA**)
- 43 at 50% AMI
- 22 at 60% AMI

The Developer is Investors Capital Group, LLC (ICG, LLC). Avenue 5 Residential, an affiliated company, will manage the property. Colorado Spring Housing Authority will act as Special Limited partner to provide tax exemption, and who will be able to refer their Housing Choice Voucher holders to the property.

### **Project Description and Energy Efficiencies**

Torin Point project is a traditionally styled, garden walk-up apartment project consisting of three (3) 3-story residential buildings, and a 1-story community recreation building and associated site improvements.

The proposed project construction type includes: concrete slab on-grade, turn-down & spread footings, pre-manufactured wood floor & roof trusses, composite roof shingles over plywood sheathing/roof felts, 2x wood wall framing/sheathing/composite wood siding, R-19 blown-in wall insulation & R-38 blown-in ceiling insulation, attic venting, dual pane/low-E vinyl windows, painted steel tube hand & guard railing, painted steel stringers with pre-cast concrete treads, 15 SEER split-system HVAC with supplemental electric heat strips, CFL & LED interior & exterior lighting and plumbing fixtures will be low water usage type.

### **Amenities**

Unit amenities include energy star appliances, patios/ balconies, in-unit washer and dryer, pantries and significant closet and storage spaces. The property has a clubhouse with exercise, activity, and computer rooms. There is also a community kitchen, large and small meeting places and a TV area for gathering. The large and small meeting areas in the clubhouse will be made available to outside service providers to provide a variety of services to residents.

The site will have a swimming pool, tot lot, and BBQ areas. The site development includes associated site drives/roads/sidewalks, (139) surface on-site & (10) surface off-site parking spaces, landscaping, screened trash enclosures, maintenance shed, site lighting, secured entry/exit gates and 6 ft. tall white wrought iron fencing to match adjacent Fountain Springs Apartments. The site will be developed at just 12 units per acre, which creates a "park-like" feeling to the development.

### **Services**

ICG has reached out to multiple service agencies in Colorado Springs to get better acquainted with the local service community and to discuss partnerships. These conversations led to a Memorandum of Understanding between Partners in Housing, a homeless families' service provider and ICG for a preference for PIH families to rent the 30% AMI units and receive on-going services from PIH. Additionally, ICG and PIH are discussing what services it might be possible for PIH to provide to residents on site. ICG has also had discussions with Reach Pikes Peach and Greccio Housing about additional service connections for the residents of Torin Point. Some of the ideas are financial literacy and IDA programs, life skills, job training and



possibly afterschool programming. ICG firmly believes that both the residents and the property benefit from these service connections.

Mountain Metro Transit provides bus service to the site and the nearest bus stop is directly north of Torin Point. Residents can ride Route 22 buses from this location to destinations between South Borough and Murray Boulevard, with connections to Downtown Colorado Springs and throughout the city. Torin Point is within ½ mile of a grocery store, restaurants, a library that provides free classes, a recreation center and multiple parks. Elementary, middle and high schools are all within a mile of the site.

### **Financing**

Torin Point will have a construction and permanent loan from JP Morgan Chase. El Paso County Housing Authority has expressed support for an application for Housing Trust Fund dollars to the project and an application for funding will be submitted in June. Riverside Capital is the equity investor for the project and they have done preliminary underwriting on the project and are confident of their pricing. Finally, ICG, LLC is deferring almost 40% of the developer fee to complete the project financing package.

3. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:

- To support rental housing projects serving the lowest income tenants for the longest period of time  
Torin Point will serve low and extremely low income households for 40 years. There are currently no 30% AMI units in the market area.
- To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas  
El Paso County has only received two 9% LIHTC awards for family housing since 2004, one in 2006 and another in 2016. There have been only five other 9% LIHTC projects awarded in El Paso County in that same period of time but those were all senior/ assisted living developments or permanent supportive housing. There have been a few family 4% LIHTC projects approved but those do not provide the same deep level of affordability that a 9% project can reach. An award to Colorado Springs would assist in meeting the goal of spreading the credits around the state.
- To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit  
Investors Capital Group, LLC is a for-profit that has a wealth of experience in real estate and property management and is bringing that experience to this new construction development in Colorado Springs.
- To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing



There is a proven need for family housing in the Colorado Springs based on the extremely low vacancy rate (less than 1%) among affordable units in the PMA. Properties surveyed by the market analyst had wait lists of 180 to 400 households. ICG's adjacent property Fountain Springs has 130 prospective tenants on its waitlist as of 5/26/17.

- To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail  
The site is more transit accessible and walkable than Colorado Springs as a whole and is .1 miles from the nearest bus stop.
- To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing  
This new construction family project will bring high quality housing to low-income renters of Colorado Springs.
- To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period  
ICG has focused on bringing in the most financially viable project possible in today's unsettled market.
- To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval.  
At 72 units, Torin Point has maximized unit production under the per project cap of credits available.

Describe how the project meets the criteria for approval in Section 2 of the QAP:

a. Market conditions:

The Colorado Springs market is extremely tight with rents increasing quarter after quarter. The vacancy rate for the PMA is 1.3%, well below a balanced 5%. The market is forecast to add 422 renters annually -- significantly over the numbers of rental units being developed. Torin Point will be offering a product that is simply not available in the market as currently there are no 30% AMI units in the PMA. Additionally, the Colorado Springs Vacancy and Rent Survey shows that there are very few two or three bedroom units in Colorado Springs that rent for 50% AMI and below in the survey of over 21,000 units and nominal vacancy in those units. Torin Point is the only affordable project in the pipeline for the PMA and adding its 72 units to the market only increases the capture rate 1% - a negligible amount.

b. Readiness-to-proceed:

ICG has been planning this project for over a year. They have met with City planning on multiple occasions as they have been working through the development process. The City is extremely supportive of the project as shown from our letters from Planning and Community Development and the Office of Economic Development. The City is willing to provide rapid response service to the project for expedited review and approval for land use and building permits. The process to get to permits is well defined and ICG is ready to move to closing once credits are awarded.

c. Overall financial feasibility and viability:

The project has been underwritten very conservatively to address the instability in the market. The developer is financially strong and able to fund the necessary predevelopment costs. The AMI set aside has been crafted with long-term sustainability in mind. The General Contractor is local, knows the local sub contractor community well and has delivered multiple high quality projects in the market. ICG has secured the partnership of Colorado Springs Housing Authority to provide the critical tax exemption to the project. This saving, estimated at \$15,000, saves the project \$200,000 in loan proceeds. ICG has attempted to simplify the financing to craft the strongest possible project in these uncertain budgetary times.

d. Experience and track record of the development and management team:

Investor's Capital Group (ICG) based in Seattle, Washington currently owns and manages almost 7,000 units in ten western states, almost ½ of which are LIHTC units. Locally, ICG owns and manages 315 affordable units in Colorado Springs at Fountain Springs and Constitution Square. The Torin Point development is directly adjacent to Fountain Springs, 228 LIHTC units at 60% AMI. Avenue5 Residential is a proprietary company owned and managed by ICG principals, and staffed by highly experienced apartment management veterans. Avenue5 currently manages ICG's entire portfolio. The principals of ICG have developed multiple properties in Washington State where they are head quartered. Additionally, ICG has their own construction management division, which makes them well suited to oversee this project.

e. Cost reasonableness:

The costs are reasonable for this construction market. ICG has focused on identifying a site that does not require significant site work and lends itself to multifamily development as well as building type that can be cost efficiently delivered. ICG is working with a local contractor who knows the market and the subcontractors well.

f. Proximity to existing tax credit developments:

The PMA has nine non-age restricted LIHTC projects containing 1,059 income-restricted units. Torin Point will compete directly with 901 of the tax credit units that are comparable in terms of AMI levels and family target market. Six of the most similar properties were surveyed and used as comparables in the market study showed an exceedingly low vacancy of 0.6% and waitlists of 180 to 400 households. Of the market study LIHTC comparables, five were built between 2002-2005 and the most recent was built in 2014 but has a low restriction at 100% at 60% AMI. The market study shows that the PMA has significant demand for additional LIHTC units.

Torin Point will be directly adjacent to Fountain Springs, a 228 unit LIHTC development owned by ICG with 100% of the units at 60% AMI. ICG has seen incredible demand for units at Fountain Springs, even while it suffered significant hail damage and underwent exterior rehabilitation for most of last year. ICG sees an opportunity to add units that will complement Fountain Springs by offering a range of AMI affordability to low income families.

g. Site suitability:

ICG believes that this site, directly adjacent to a property they already own and manage, makes a great deal of strategic sense. The bank owned land is flat and well laid out for the intended use of multi-family housing. The city of Colorado Springs is supportive of the infill development on a transit line. Additionally, the City of Colorado Springs has developed the South Academy Economic Opportunity Zone Action Plan, which aims to create investment and development, improve the aesthetics, and develop a better sense of place and community. The plan also calls for addressing aging housing stock and identifies an opportunity to revitalize the area with newer and more modern housing, which the completion of Torin Point would help accomplish. As development continues along South Powers Boulevard and if components of the South Academy Economic Opportunity Zone Action Plan are implemented, Torin Point's location will become increasingly attractive to renters.

Provide the following information as applicable:

a. Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):

Not applicable

b. Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:

Not applicable

5. Address any issues raised by the market analyst in the market study submitted with your application:

The market study noted that the location of Torin Point is not as strong as comparables, yet the site makes strategic sense to ICG because they own the property next door, which creates economies of scale for management costs. Further, the city believes that Torin Point is a positive investment in an area in which the City is investing significantly in revitalization. See Site Suitability above.

6. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:

None

7. Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:

All aspects of the development have been analyzed for cost containment, from the number of buildings to the site itself. Additionally, the project does not include some of the major cost drivers such as elevators and underground parking. ICG selected a three-story walkup, wood frame building style with surface parking because it's the most efficient way to deliver units. The flat, easy to build on site has good soils and the utilities are located at the site already.

8. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):

The ICG team has met with Colorado Spring Housing Authority, who have agreed to act as special limited partner for the project providing tax exemption. We have reached out to El Paso County Housing Authority staff and have discussed a low interest loan from their housing trust funds, and will make application in June. Additionally, the ICG team spoke with Colorado Springs community development staff who are supportive of the project and spoke about the significant need for more income restricted units. They supported the location as an infill development on a transit line. However, they are targeting their limited funds to areas of the city that have no affordable housing currently. They understood that ICG's existing property was a significantly contributing factor to the decision on where to develop the project.

The Office of Economic Development provided a letter of support because Torin Point meets several of the City's high priority goals such as development of workforce housing and new investment in the southeast quadrant of the city.

ICG also reached out to multiple service providers in the area to understand and support additional service connections available for low-income households, and to solicit feedback from those providers about where the greatest needs are in the community. These meetings and discussions helped craft Torin Point as a premier affordable, sustainable, and supportive housing environment for its residents.

Attached:

Memorandum of Understanding between Partners in Housing and ICG.  
Support letter from Colorado Springs Office of Economic Development.

# 9% lihtc application narrative



Project Name: Trinidad Artspace Lofts

Project Address: 200, 218, and 228 West Main St. and .59 Acres on SW Corner of E. Elm St. and N. Oak St.

1. The Trinidad Artspace Lofts will renovate existing buildings and build a new structure from the ground up to deliver 41 new units of quality, modern, and innovative affordable housing to the City of Trinidad and greater Southern Colorado. This project will integrate with a City-driven effort to revitalize Main Street, energizing existing places and creating new ones to gather, perform, dine, create, and, most importantly, to call **home**.

A prior application was made to CHFA for this project, but significant changes have been made since that time. In particular, the unit count has been increased from 20 to 41 units; a new construction building on a separate site has been added; and the City facility component has been removed from the housing project into a separate condominium with individual financing and operations. The City cultural facility remains part of a collaborative, synergistic redevelopment strategy and will be closely aligned with this project, though ultimately independent.

With two sites situated in the heart of the downtown and just a short six blocks apart, this project will create 13 units on the upper floor of an existing building on Main Street, as well as 28 units of new-construction on a vacant parcel of land at the corner of Elm Street and Oak Street. Both the Main and Elm sites will see a mix of studio, 1-bedroom, and 2-bedroom units as well as a mix of affordability across 40%, 50%, and 60% income levels.

The Trinidad Artspace Lofts will complement and integrate programmatically with the City-owned cultural facility within the same building on Main Street, but the projects will not share ownership, management, or financial resources. The City facility will create new gathering, performance, dining, and office spaces for the Corazon de Trinidad cultural district, bringing vitality and daily activity to the street level storefronts.

The Artspace housing at Main Street will be a separate condominium from the City facility and will include the entire second floor, where 13 loft-style units will be built within the existing building structure as an adaptive reuse of the former office spaces. Existing masonry exteriors, windows, and roofs will be rehabilitated and remain, but the interior spaces will see a comprehensive level of repair and build out, effectively creating brand new units. New interior demising walls will be constructed, as well as a ramp from the rear of the second floor exit directly to resident parking and at the rear of the building. Two existing interior stairways will provide additional access and emergency egress directly from the second floor to Main Street.

The project will also occupy approximately 5,000 square feet of former retail space at street level on Main Street. This space will serve a number of different functions, as well as provide high-visibility presence for the project. This space will provide the primary entry lobby for residents and visitors, including mailboxes and package drops, and will be the central access to an elevator ensuring full accessibility to the upper floor residential units for residents and visitors. This first floor space will also include a community space for all residents, including residents at the Elm street site. This community space will be flexible in nature, allowing sufficient space for large gatherings, pot luck dinners, performances, and meetings. The space will also include working studios, which allow residents access to creative pursuits such as pottery, woodworking, photography, etc., that would not be practical or permitted within their residential unit. Access and use of the creative studio space will be free of charge, and included as an amenity for all residents.

The Elm street building will be slab-on-grade new construction which will create 28 units of housing. The building will include an elevator for accessibility to all floors, and a partial basement for building systems and equipment. Two stairways ensure ample access to the surrounding sidewalks and streets, as well as off-street parking lot. The building will be framed construction (wood or steel stud), with an attractive mix of exterior materials (masonry, stone, cement panel, glass, etc.) to complement the existing neighborhood while also creating an identity of its own. The site is generally oriented east/west, so the building will primarily face north with views of City park land and the Purgetoire River.

All units will have similar, though not identical, amenities including air conditioning, full size range, oven, and refrigerator, open, flexible floorplans, large windows and doors, ceiling fans,

track lighting, and laundry on-site (in-unit washers and dryers will be provided at the Elm site). Energy Star-rated appliances and fixtures will be used throughout, as well as low-flow water fixtures, shower heads, and toilets. Residents of both sites will have equal access to all project amenities including: community room, gallery, maker space, manager office, and playground.

2. This project will be directly address CHFA’s priority to serve Counties with populations less than 175,000. The City of Trinidad is located in Las Animas County, which had a County population of approximately 14,000 as of 2015. Currently, there are only two low income housing tax credit projects in Las Animas County, Casa Village I and Trinidad Apartments dating to 1987 and 1989, respectively, each nearly 30 years old. Within these existing projects, no units are restricted to 40% or even 50% AMI, instead all units are targeted to the minimum 60% AMI threshold. The Trinidad Artspace Lofts project will provide a critical influx affordable housing opportunities to a community that has not seen housing investment in decades. The need for new housing for working families is significant, and is made clear in the included market study which indicates 0% vacancy in the primary market area across comparable properties including affordable and market rate housing.

3. The Trinidad Artspace Lofts will create 41 new units of housing affordable to households earning less than 40%, 50%, and 60% of area median income. Units types (studio, 1BR, and 2BR) will be equitably spread across income ranges, ensuring individuals and families have access to dignified, modern, affordable homes. Unit distribution is as follows:

	Main Street Site	Elm Street Site
Studio 40% AMI	2	2
Studio 60% AMI	4	6
1 Bedroom 50% AMI	3	12
2 Bedroom 40% AMI	1	3
2 Bedroom 50% AMI	2	1
2 Bedroom 60% AMI	1	4
Subtotal	13	28
Total	41	

All units will be income/rent restricted for a minimum of 30 years (including 15 years federal and 15 additional years extended use period). Artspace Projects, Inc. has more that 30-years of



experience developing affordable housing across the country in more than 20 States, including the State of Colorado. Artspace is a 501(c)(3) nonprofit whose core mission includes creating *and* preserving affordable housing as core mission principles. As a mission-driven developer, Artspace invests in the long-term viability and ownership of its projects, and demonstrates long-term ownership and stewardship of affordability across its portfolio of more than 1,600 affordable units. Ongoing reinvestment, maintenance, and mission-driven asset management ensure that residents maintain stable and affordable housing.

This project will include two building sites, with a majority of development occurring within a Qualifying Census Tract (tract number 08071000500). The overall project contributes to local and State plans to further the development of affordable housing and the support of community cultural resources and economic drivers. The City of Trinidad's Comprehensive Plan identifies the creation of new affordable housing as critical to serving workforce households, individuals, and families and ensuring long-term housing options. The City has passed and implemented an anti-dilapidation ordinance which targets existing neglected, substandard, and code non-compliant housing for immediate repairs or face forfeiture and demolition. This action ensures that all housing within the City is safe and dignified, but does not guarantee affordability. This project will create the first new units of affordable housing in Las Animas County in nearly 30 years, creating modern housing with amenities tailored to attract and retain workforce families and individuals in the City of Trinidad and beyond.

The City of Trinidad is also at the forefront of Governor Hickenlooper's statewide Space to Create initiative that seeks to foster vitality in rural and mountain communities across Colorado which have a significant creative and cultural presence. Trinidad was chosen as the first community in Colorado to move forward under the Governor's initiative, leveraging the Corazon de Trinidad certified creative district and Colorado Main Street as economic drivers and support of redevelopment efforts across the City, including the creation of new affordable workforce housing achieved by the Trinidad Artspace Lofts. The economy of Trinidad is growing in clear and demonstrable ways across a variety of sectors. Residential home sales increased 131% from years 2009 to 2016. Commercial real estate sales saw growth from zero transactions in 2010 to 16, 21, and 24 sales in 2014, 2015 and 2016, respectively. Hotel lodging tax receipts further support economic strength, growing 39% between 2012 and 2016 without the addition of any new rooms. As the community of Trinidad grows, the need for the affordable workforce housing



becomes that much more urgent, which provides further demand for the very housing the Artspace Trinidad Lofts will provide.

The City of Trinidad is served by the Amtrak Southwest Chief line with daily service between Chicago, IL and Los Angeles, CA. The Amtrak platform is conveniently located just outside the downtown core, approximately 0.3 miles from the Main Street site and 0.4 miles from the Elm Street site. The Southern Colorado Council of Governments also provides Dial-A-Ride services for local transit needs.

4. The included market study conducted by Vogt Strategic Insights (VSI) demonstrates a clear and urgent need for affordable housing in Trinidad. More than 300 comparable units were surveyed, finding 100% occupancy and wait lists for affordable units. According to VSI:

*“We identified and personally surveyed 10 conventional housing projects containing a total of 333 units within the Trinidad Site PMA during our in-person survey in May 2017. This survey was conducted to establish the overall strength of the rental market, as well as identify those properties most comparable to the subject site. **These rentals have a combined occupancy rate of 100.0%, a high rate for all rental housing indicating demand exceeds supply.**”*

Among these projects, four are non-subsidized (market-rate) projects containing 108 units. These non-subsidized units are 100.0% occupied. Properties of a C rating or worse are not included. A considerable base of older, functionally obsolete and lower quality housing exists in the market that typically experiences a somewhat higher vacancy rate. This product is not comparable or competitive with the new construction subject site. The remaining six projects contain 225 government-subsidized units, which are 100.0% occupied. This is a positive indication of pent-up demand for affordable housing in the Site PMA. **When constructed, the subject site will be the only non-subsidized LIHTC project in the Site PMA and will fill a niche in the market.”**

Trinidad and Las Animas County are significantly underserved for affordable housing. This project will directly and positively impact availability of housing for working families.

As proposed, the Trinidad Artspace Lofts is effectively “shovel-ready.” The project is feasible with LIHTC and funding support from DOLA Housing without further funding. Both project sites are under City ownership with no risk of loss to market. The budgeted construction costs represent locally-informed estimates from HW Houston, a qualified general contractor with

recent experience in the City of Trinidad. Debt and tax credit equity letters of intent have been secured from Citibank and RBC Capital Markets, and Colorado Department of Local Affairs (DOLA) Housing has provided a funding support letter for the proposed soft funding, collectively ensuring that the project has the necessary financial commitments to move forward.

The project does not require a first mortgage as part of the proposed capital sources, which reduces operating pressures related to must-pay debt service. This also allows the project to serve households at 40% and 50% AMI levels and the commensurately lower rent levels for those units without a detriment to the project operations.

The hard construction costs included in the proposed budget use locally-informed materials, labor, and third party costs based on the proposed architectural drawings, existing conditions, and project location. Our general contractor, HW Houston, has recently completed projects in the City of Trinidad within blocks of our project sites, which ensures recent actual costs comparables for our budget.

5. There are limited issues identified in the Phase I and Phase II ESAs completed for the Main Street site. Lead-based paint and asbestos containing materials are known to be present, and will be appropriately removed during construction as necessary. A sample containing trace amounts of barium was detected exterior of the building to the rear in the area that will become parking. No action is necessary as that area will be paved during construction. To the extent any soils in that area are disturbed during grading, appropriate disposal and handling practices will be followed.

The Phase I ESA for the Elm Street site found no issues with the site itself, but did recognize a prior adjacent property use as a dry cleaner, which could potentially include vapor intrusion at the Elm Street site. A recommendation to address this potential condition is the inclusion of a vapor mitigation system as would be used for radon gas, which is planned and included in the design for the site.

6. The local Trinidad community has been an exceedingly active project partner and supporter. Our direct work with Trinidad-based stakeholders began in September 2015 when the City of Trinidad hosted Artspace in town and helped coordinate a series of community gatherings. The goals of these meetings were to solicit input about the project concept, identify community

priorities and strengthen partnerships. Highlights included:

- 5 focus group meetings with over 100 local stakeholders including residents, creative sector cultural organizations, teachers, educational institutions, business leaders, property owners, civic leaders, elected official, funders, and philanthropists
- 2 interactive public meeting attended by 165 community members
- 2 working meetings with a self-selected “core group” of stakeholders and elected officials who continue to act as a community steering group for the project.
- An informal space needs and project visioning questionnaire completed by 59 participants.

A subsequent 6-month market and community engagement study phase began in October 2015. The Corazon de Trinidad leadership and “core group” members partnered with us in a local and regional outreach effort focused on educating people about the project and encouraging participation in the study. The study included a survey designed to quantify space needs and preferences within the community and document support for the project. Gathered data was translated into the project design and influenced development decisions. Highlights of this phase of work included:

- Community partner coordinated outreach by email and social media, direct phone calls, public presentations at open meetings (Kiwanis, Chamber of Commerce, Rotary, etc.), flyers, postcards, radio and print media coverage.
- Public survey launch and interactive meeting held with 130 community members in attendance.
- 616 survey respondents
- 162 individuals were identified as interested in the proposed affordable, live/work space
- 199 individuals expressed interest in volunteering to help the project
- 408 asked to receive additional information

Financially, the City of Trinidad has invested its resources in the purchase of land for this project, in support of predevelopment expenses, and the capital project. The Space to Create city facility component of the project is funded by grants from the Department of Local Affairs’ Energy and Mineral Assistance Impact Fund and the Boettcher Foundation.

# 9% lihtc application narrative



Project Name: Valley Sun Village

Project Address: 700 East 2<sup>nd</sup> Street, Cortez, CO 81321-3933

## 1. Executive Summary:

Valley Sun Village is an existing 35-year-old dilapidated garden style apartment complex comprised of 15 single story buildings with painted hardboard exterior panels of Type V wood-framed construction, composite fiberglass shingles, slab-on-grade. The property provides 50 one-bedroom apartments of approximately 530 square feet each (net rentable).

The population being served are senior residents aged 62 and older. The property currently serves the low-income senior population of the City of Cortez and Montezuma County and is one of the very few Project-Based Section 8 complexes in the region. The property will continue to serve the senior population of the area with a continuation of the Section 8 subsidy and assistance from the CHFA 9% LIHTC program.

Located just east of Ute Mountain, Cortez is a rural and tribal community approximately 40 miles west of Durango and approximately 25 miles from the New Mexico border. The property is centrally located just off Main Street in very close proximity to community amenities such as grocery stores, pharmacies, banks, post office, medical centers, public library, public parks and recreation centers, and restaurants.

The property is in **desperate** need of rejuvenation with numerous physical and operational difficulties. Failing building systems, life-safety hazards, and management and compliance issues all contribute to the need for this community to be acquired, redeveloped and operated by a capable and experienced team. Valley Sun Partners, LP represents the ideal group for this endeavor.

Since the last application in 2016 several changes have occurred:

- (1) In March 2017, the development group's non-profit partner, Durango Housing Corporation (DHC), acquired Valley Sun Village using conventional short-term financing including a significant loan from DHC itself. The name of their entity is Valley Sun Holdings, LLC. DHC is the sole member, and John Grady is the non-member manager - and he is also the managing member of the LIHTC GP. The purpose of this interim acquisition was: (1) to insure the property was not lost to the market; (2) to insure it did not lose its section 8 subsidy; and (3) to begin addressing the significant work related to physical obsolescence, compliance problems, and operational deficiencies (management).
- (2) DHC financed \$200K in immediate rehab funds to address critical life safety issues and general property deterioration. This money is intended to keep the property operational and safe until permanent financing is secured with CHFA. It is NOT adequate for long-term needs, though the proposed rehab scope with the LIHTC financing has been adjusted accordingly.

- (3) HUD approved an initial rent increase at closing to \$710 per unit and extended the HAP contract for 20 years. Evidence is included in this application. HUD approved another rent increase to \$770 per unit after completion of the LIHTC financed substantial rehab. Evidence is included in this application.
- (4) The purchase price of the property has been increased to account for the acquisition financing. Please note - DHC will not make any profit on the purchase; the price was engineered to simply pay off all current debt at LIHTC closing.
- (5) The LIHTC market has undergone major adjustments on pricing and terms. Combined with the purchase price increase this resulted in a request for more credits per annum, though it should be noted the development team is still deferring significant developer fee to support the financing.

The long-term goals of the development team are as follows:

- Improve management and compliance.
- Improve property image and desirability to match neighborhood growth and community investment initiatives.
- Upgrade and enhance the lives of existing and future residents through common area and unit upgrades
- Maintain and preserve long-term affordability.
- Retain the Project-Based Section 8 HAP rental assistance to continue serving low and very low-income senior residents not otherwise served by other tax credit developments.
- Replace old and fatigued components and systems and improve energy efficiency.
- Reduce downstream operating costs.
- Contribute to the City of Cortez's Comprehensive Plan.

Last year, this property was in dire need of permanent financing supported by 9% LIHTC to address its condition – both physical and operational. These conditions, and the impact to the lives of the elderly residents, have only worsened. While we have done all we can to manage these issues in the short term through acquiring the site and replacing the management company, the only permanent solution is an allocation of 9% LIHTC to properly fund the needs of the property.

As a result, we respectfully request that CHFA recognize our efforts, along with HUD's commitment to this property as evidenced by the approved rent increases and HAP contract extension, to insure this property becomes a healthy and vibrant community for the current and future elderly low-income residents of the City of Cortez.

## 2. Qualified Allocation Plan (QAP) Priorities:

Valley Sun Village meets the Priority of serving counties with populations of less than 175,000. Montezuma County has a population of 25,772 as of 2014.

## 3. Qualified Allocation Plan (QAP) Guiding Principles:

- To support rental housing projects serving the lowest income tenants for the longest period of time

As a HUD Project-Based Section 8 project, the project has the ability to provide housing to the most impoverished seniors in the community. In fact, the average income of existing residents is approx. \$12,000 per annum, making them a tremendously underserved population with the greatest needs. The application proposes to agree to the longest LIHTC affordability period and the scope of work will breathe new life into distressed buildings and common areas. 9% LIHTCs will provide the capital necessary to make the kind of site, building, and systems upgrades that will carry the project through the extended affordability period while providing a safe, secure and enhanced environment for the residents.

- To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria

Valley Sun Village is located within census tract 9694.00 which is a Qualified Census Tract. The project as proposed meets goals stated in the City of Cortez's Comprehensive Plan, adopted by the City Council in August 2008. Goals met by the proposed project include:

- The Ongoing Objective "To continually enhance the cleanliness and safety of City streets and neighborhoods";
  - Goal 4.4 "Maintain the Rural Character of the Community";
  - Goal 5.2 "Continually improve the sustainability and efficiency of new and existing land uses";
  - Goal 5.4 "Expand infill and rehabilitation opportunities with the city limits" and "Facilitate opportunities for rehabilitation of properties within the city";
  - Goal 6.1 "Develop and maintain safe, desirable, and quality housing for all current and future residents, with emphasis on affordability / attainability and revitalization of neighborhoods"
  - Goal 6.2 "Continually improve the quality of existing houses and neighborhoods"
  - Policy 6.2.4 "Considering supporting programs to rehabilitate existing housing, including upgrading fixtures and appliances, replacing single pane windows with double pane windows, re-insulating, weatherizing, or performing structural upgrades";
  - Long-Term Objective "To reduce the non-renewable energy use of households in Cortez by at least 10% of 2008 levels by 2020"
  - Goal 6.4 "Expand opportunities for quality housing that is affordable and meets the needs of all residents";
  - Ongoing Objective "To improve the rental housing stock in Cortez to make quality rental housing affordable to those residents who cannot afford to own a home"
  - Policy 6.4.18: "Promote an increase in supply, security, and affordability of housing for the elderly"; and
  - Goal 9.6: "Reduce Greenhouse Gas Emissions"
- To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas

Valley Sun Village is located in the City of Cortez (population 8,602) in the County of Montezuma (population 25,772). Cortez is situated as the county seat in the center of Montezuma County, a county that is only 28% private land and is nearly 34% Ute Mountain and Ute Tribal Land. The remainder of the land is Federal and State public land. **Importantly, the Montezuma County Housing Authority has recognized the need for Valley Sun Village to be preserved and rehabilitated and has agreed to hold back their application** for a historic rehab and new construction project in Cortez in favor of this project. Frankly, this constitutes an unprecedented level of cooperation between housing providers in any community. It is our joint hope that Montezuma County and the City of Cortez are provided with the necessary resources to serve the low-income residents of the area while recognizing CHFA's need to distribute this valuable resource across the state.

- To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit

The General Partners in the transaction include:

- John P. Grady – 37.5% managing member (principal of Monfric Group)
- Courtney D. Allen – 37.5% member (principal of Treadstone Companies)
- Durango Housing Corporation – 25% member (non-profit)

This partnership includes companies with substantial experience in affordable housing including finance, construction, asset management and community relations. *Please note* – in 2006 this group successfully redeveloped Durango Housing, a Section 8 subsidized property serving families in Durango, Colorado. In addition, in 2001, Courtney Allen was the project manager on Southgate Commons (a/k/a Monument Ridge), a successful Section 8 preservation project in Grand Junction, Colorado. Both of these projects involved permanent financing from CHFA.

- To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing

Valley Sun Village serves very low-income seniors and an investment from CHFA will preserve and improve an important housing resource specifically for senior citizens 62 years of age or older.

- To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail

Montezuma Senior Services is located less than 1-mile from Valley Sun Village and provides free transportation to all residents (voluntary donation based). This Public Transportation service is funded by the Older Americans Act which was designed to provide door to door transportation for senior citizens. MSS provides a host of services such as: health, educational, meal and transportation services all around Montezuma County; and outside counties on an as-needed basis. Further, the site is located in the center of the City, next to Main Street, and is less than ½ mile walk from basic amenities such as a grocery stores, banks, pharmacies, library, and parks.

- To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing

Valley Sun Village is an existing affordable housing community in urgent need of physical and operational revitalization. The most critical needs are addressing failing building systems, bringing the ADA units up to current code, installing energy efficient upgrades, adding security features and amenities, and implementing significant interior and exterior enhancements to address extreme levels of deferred maintenance. No significant rehab work has been performed at the property since its construction in 1982.

- To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low-income housing project throughout the credit period

The financial structure was designed to efficiently leverage the limited LIHTC resources available while addressing the projects critical needs and insuring long-term financial feasibility. Since the property is already operating under a Section 8 project-based HAP contract, its viability as a qualified low-income housing project is assured, subject only to an allocation of 9% LIHTC. The developer has calculated the minimum amount of LIHTC necessary to insure feasibility. The driving force behind the financing structure is the critical need for substantial rehabilitation. In addition to the sale of Tax Credits, the developer is sourcing construction debt from First Southwest Bank in Cortez, and permanent debt from CHFA's 9% Tax Credit Loan Program. Importantly, the development team has thoroughly investigated the feasibility of a 4% Tax Exempt Bond



transaction. Unfortunately, given loan to value limitations, combined with the sheer amount of critical rehabilitation needs, as well as current market conditions and typical bond transaction costs, the development is not feasible under this structure.

The financing gap under a 4% Tax Exempt Bond transaction would be approximately \$3 Million+ and this assumes debt well above typical LTV constraints, with a 40-year term (FHA enhanced structure). Even with other known funding sources such as Colorado State Tax Credits, this structure is infeasible. A source and use summary of the 4% tax-exempt transaction is included in Section 4 of the application.

4. Describe how the project meets the criteria for approval in Section 2 of the QAP:

- a. Market conditions: The need for affordable housing in Montezuma County, and in particular within the City of Cortez, is substantial and rising. While the property is near full occupancy, there is a significant untapped market that Valley Sun Village is not currently capturing, and which our team will be seeking through partnership with the Housing Authority of the County of Montezuma. This market includes Native American's as well as Hispanics, both of which are currently underserved at the property. It is imperative that Valley Sun Village be preserved and improved to continue to provide an affordable housing opportunity for the growing senior population with limited means in this region.
- b. Readiness-to-proceed: (I) The Applicant has full site control with a related party via an Option Agreement; (II) Zoning is in place as this is a rehabilitation project so no public hearings or approvals are required; (III) Schematic Drawings have been prepared; (IV) the Scope of Work has been completed; and (V) Contingent upon CHFA's award process, closing will occur by October/November and rehab will commence immediately thereafter.
- c. Overall financial feasibility and viability: The proposed project utilizes the minimum amount of credits needed for the feasibility of the project, while meeting all underwriting criteria of CHFA's program. An equity investment letter from City Real Estate Advisors has been submitted confirming credit pricing and terms consistent with QAP requirements. Other financing sources include:
  - Permanent first mortgage financing is anticipated from CHFA Community Development's HUD Risk Share 9% program, coupled with construction financing from First Southwest Bank of Cortez, the current lender on the project.
  - Net Operating Income (NOI) from the property serves as an interim source of funds to support debt service and other miscellaneous costs during the rehabilitation period.
  - Lastly, a portion of the Developer Fee is deferred, providing the final source of funds, which can be serviced adequately during the initial 15-year compliance period.
- d. Experience and track record of the development and management team: Valley Sun Partners, LP is a highly experienced development team and owner of affordable housing assets across the United States and its' territories. The team represents a group of highly specialized developers and operators of Section 8 preservation projects. Valley Sun Partners members, collectively, have developed over 5,655 units in 12 states, including Colorado, Montana, California and Puerto Rico. Valley Sun's property management partner, Monfric Realty, Inc., was founded in 1974 and manages a portfolio of 18 affordable and market rate, multifamily communities across the country. This entity is well known to CHFA and remains in good standing for compliance and property management.
- e. Cost reasonableness: Total project costs are estimated to be \$6,812,783 or \$136,256 per unit. Each of the professional fee line items have been crafted based on total financing, scope of work, feasibility, and for those needed on-site, a minor degree of added cost for travel to the project given its relatively remote location. It is also important to note that development of affordable housing in the City of Cortez, a rural community, comes with a level of increased construction cost. Due to the limited supply of local construction workers, a modest increase for the cost to bring workers to the area has been anticipated.

Overall costs are in line with the market for projects of this size and type. We have provided a rehab scope and PCA outlining necessary rehabilitation to continue feasible operations, as well as provide for upgrades to improve the buildings to modern standards, including significant energy efficiency measures. The project will



utilize only the amount of LIHTC needed for the feasibility of the project, and includes a portion of deferred developer fee and cash flow from project operations during rehab.

- f. Proximity to existing tax credit developments: There are five other LIHTC properties in the City of Cortez, only one of which is dedicated to seniors with only 23 units. One other Section 8 property is available to low income families, Sleeping Ute Apartments, which received an allocation of 9% LIHTC in 2005. No other projects in the City of Cortez are dedicated to very low-income seniors. Valley Sun Village will be the only rehabilitation of existing housing in this area for this competitive round, and will serve an essential need for the State of Colorado and the western region. Again, it is important to note that the Montezuma Housing Authority has voluntarily withheld application for a new construction/historic rehab project in Cortez in recognition of the need for Valley Sun to be revitalized immediately.
- g. Site suitability: Valley Sun Village is an existing affordable housing property and therefore serves as a suitable site given its long history and existing subsidy from HUD. The existing site is currently zoned NB and is legal non-conforming. The building and units were designed adequately for the senior population, and the site itself offers ample green space. The site is located in an ideal, walkable location 1-block from Main Street in Cortez and has a host of shopping, dining, medical services and parks within a ½ mile walk. Investing in the preservation of existing affordable rental properties is essential to ensuring that such housing remains decent, safe and available throughout the State of Colorado.

5. Provide the following information as applicable:

- a. Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):

The application requests no waivers and meets all underwriting criteria.

- b. Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:

Valley Sun Village is not requesting the DDA discretionary boost because the property is already located within a QCT. It is therefore eligible for the 130% qualified basis boost on all rehab related items.

6. Address any issues raised by the market analyst in the market study submitted with your application:

Valley Sun Village is an existing 100% Project-Based Section 8 subsidized complex which has retained and extended its HAP contract for 20 years effective April 2017, and therefore is not subject to a Market Study for this application.

Two rent increases from HUD are **already approved** – the first was effective at the interim closing in March 2017 and the second will become effective upon completion of the LIHTC financed substantial rehab.

7. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:

Radon testing was performed. Small amounts of Radon were detected in one unit. A Radon mitigation system will be installed during the rehabilitation. There are no other recognized environmental concerns.

8. Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:

As noted earlier in this narrative, there are some minor added costs related to the remote location of the project which have been incorporated for on-site professional services. There are no other unusual features or unusual costs.

9. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):

We have been in contact with the following agencies to assess their concerns and gather local support, including:

- Community meeting with all residents – an on-site meeting was conducted in August 2016 with nearly 100% of all residents in attendance. The project was described and all attending residents were in support. Many comments were provided to assist the development team in refining the rehab scope, especially related to property amenities such as the community and laundry room and security.
- City Mayor Karen W. Sheek and City Manager Shane Hale – please see attached support letters.
- Neva Connolly of the City Planning & Building Department.
- Executive Director Terri Wheeler and Compliance Officer Helen Gonzalez of the Housing Authority of County of Montezuma – please see attached referral letter.
- Montezuma Senior Services – please see attached letter indicating their ongoing support services for the project.

It is the intent of the team to maintain a relationship with the Housing Authority of the County of Montezuma for purposes of ongoing resident referrals and to maintain a more comprehensive waiting list for the property. In addition, it is the intent of this development team to maintain a positive and ongoing relationship with this organization to better serve the community. Unfortunately, no financial support (including a property tax exemption) was available from the City of Cortez or County of Montezuma due to limited resources at both agencies.

10. For acquisition/rehab or rehab projects, provide a detailed narrative that describes the proposed rehab plans and relocation plan (if applicable). Address the 10-year rule; capital expenditures over the past two years; previous related party relationships; past local, state, or federal resources invested in the project; obvious design flaws; obsolescence issues; safety issues; and any significant events that have led to the current need for rehabilitation (i.e., fire, nature disaster).

The scope of rehabilitation is based on a comprehensive property conditions assessment (PCA) report, prepared by a third-party professional, of the site, structural and building systems, and interiors (including units and common areas). The PCA focused on fundamental critical and noncritical repairs needed to maintain the site and buildings. The proposed scope of rehabilitation meets and exceeds these recommendations in order to enhance the property, improve the residents' quality of life, and prolong the useful life of the property. Included within the proposed scope of rehabilitation are advanced energy efficiency measures designed to reduce operational costs for residents and the common property, upgraded site and unit amenities, and strategic security improvements. The property is in **critical** need of substantial rehabilitation including failing building systems, rampant cosmetic and structural issues, as well as ADA and life-safety necessities.

As indicated previously in this narrative, the interim financing supported a small amount of rehab equal to \$200,000. These funds are being used to address critical failing systems and repair common areas such as the community and laundry room, tree roots impacting building foundations, and various miscellaneous site and unit repairs. While these funds are essential in the short term, the LIHTC rehab scope is the only true long-term solution to insure this property's survival and health. The LIHTC rehab scope has been adjusted since last years application to account for this short-term investment.

The proposed LIHTC rehabilitation will result in approximately \$3,172,400 of hard cost investment or \$63,448 per unit to provide these essential repairs and improvements, including but not limited to:

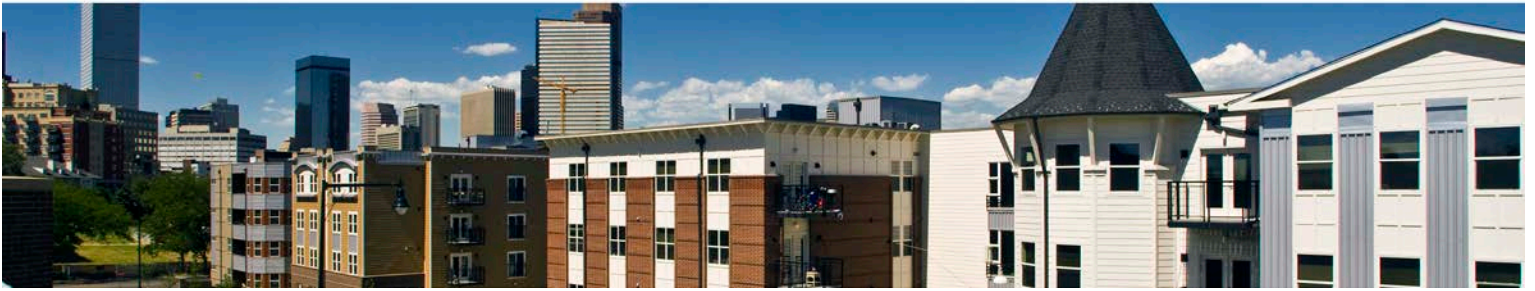
- Full refurbishment of unit interiors including flooring and painting.
- New kitchen cabinets and countertops.
- Replacement of plumbing fixtures with water conserving units; replacement of tub surrounds.
- Replacement of appliances and lighting with energy efficient upgrades, including new common laundry facilities.
- Creation of 3 fully compliant ADA units.
- New roofs and siding on all buildings.
- Parking lot and sidewalk repairs, including ADA path of travel.
- Installation of needed exit lighting throughout the site.
- New perimeter fencing and security cameras.
- Cosmetic upgrades to exteriors, interiors and common area.
- New community Gazebos.

Key project components include:

- Energy Efficiency – A top-to-bottom emphasis on energy efficiency, including low-flow plumbing fixtures; high-efficiency unit, common area, and exterior lighting fixtures; and ENERGY STAR rated appliances including new on-demand water heaters, ranges and refrigerators.
- Amenities – New locally-based landscaping, new gazebos, replacement of kitchen countertops, cabinets, doors, bathroom fixtures and showers, energy efficient lighting, appliances, new HVAC systems, smoke detectors, and new flooring.
- Security – New security gates with private entry; new security camera system throughout property; emergency and exit lighting; and new durable fencing along the full property perimeter.
- Accessibility upgrades will be completed as part of the rehabilitation in compliance with Section 504 of the Americans with Disabilities Act.

Valley Sun Village's physical deterioration is among its greatest needs; however, it is also in need of management and compliance-level improvements to ensure it is operated within LIHTC and Section 8 program requirements, serves its intended population, and achieve long-term self-sustaining viability.

# 9% lihtc application narrative



Project Name: **Veterans Renaissance Apartments at Fitzsimons**

Project Address: **North-East Corner of 17<sup>th</sup> Ave. and Peoria St., Aurora, CO 80045**

## **Introduction & Background**

The Colorado Coalition for the Homeless (CCH), and its subsidiaries Renaissance Housing Development Corporation and Fitzsimons Veteran Housing Corporation are proud to present our application to develop 60 units of permanent supportive housing for homeless and at-risk Veterans and their immediate families. The project will be developed in cooperation with the State of Colorado Department of Human Services (CDHS) and will be located near the newly constructed VA Medical Center on a portion of land adjacent to the existing Veteran nursing home, Fitzsimons Community Living Center at 1919 N. Quentin Street in Aurora. The entire 15-acre parcel is owned by CDHS and CCH has an agreement with the State for a long-term ground lease with the agency for a 3.5-acre development site at the NEC of 17<sup>th</sup> Avenue and North Peoria.

The project is urgently needed within the Veteran community and has been contemplated since the closure and redevelopment of Fitzsimons Army Base started many years ago. There are currently only 53 units our PMA dedicated to housing homeless Veterans **which represents a 7.2% capture rate** and significant demand.

The proposed project has wide support from the State and local community. The Colorado Division of Housing (CDOH) has supported the project through a commitment of 40 VASH project based vouchers contingent upon an allocation of tax credits in the current round (See attached PBV award letter). The support and cooperation of CDHS as a partner in developing the proposed housing at their site has been remarkable as well and would not be possible without their land donation.

## **1. Executive Summary**

### **a. Building**

The building will be four-story structure with approximately 65,200 SF of interior space. The building structure will be Type V wood framed with steel supports on top of a concrete post-tension slab. All 60 units and community areas will have high ceilings and large windows to provide a sense of openness and spaciousness for the residents and Circulation between floors will be via central elevator, two stair towers and a primary staircase that will be naturally lit and is designed to promote and encourage fitness for our residents. The building will have a flat membrane roof and the building exterior will be similar to our recent developments with a mixture of colored steel panels, stucco and brick siding with storefront glass features and architectural highlights. The design is specifically targeted the Veteran population. The building will have 55 one bedroom units, and 5 two bedroom units. For ease of trash removal and recycling, trash rooms with chutes will be located on each floor.

**b. Site**

The project will be located on a 3.5 acre site that qualifies as a Transportation Oriented Development (TOD) site and provides the opportunity to program ample outdoor amenities and parking including pathways that link the project site to other supportive veteran facilities on the Fitzsimons campus and transportation options for travel outside of the site.

**c. Green Development**

The project will be designed and constructed to meet or exceed Enterprise Green Communities guidelines. Insulation values for the building will exceed ASHRAE and IBC minimums. Lighting will be LED and primarily Energy Star rated LED and outdoor lighting will have daylight sensors and fixtures designed to minimize light pollution. Common Area lighting will include occupancy sensors to further reduce building energy consumption. Green Label Certified flooring will be used throughout the project and only very-low-to-no VOC paints, adhesives and sealants will be used. Energy efficient and “right-sized” heating and cooling systems will be utilized with healthy fresh air exchange rates. Window will be e-coated and sound-rated glass in residential units.

**d. Financing**

Veterans Renaissance Apartments at Fitzsimons will be financed with equity generated from the sale of 9% LIHTC, local funding from both the City of Aurora and County of Arapahoe, Colorado Division of Housing funds, FHLB Affordable Housing Program grant funding and deferred developer fee and equity. Leveraged soft funds represent about 20% of total project costs. Permanent debt on the property will be minimized in order to assure that our supportive housing operations are feasible for the long-term.

<b>Sources of Funds</b>		
	-	% of Stack
Permanent Loan	1,550,000	9%
City of Aurora HOME	450,000	3%
Arapahoe Co HOME	550,000	3%
CDOH Housing Fund	1,000,000	6%
FHLB - AHP Program	750,000	4%
LIHTC Capital Contribution	12,000,000	72%
Deferred Developer Fee/Equity	431,037	3%
<b>TOTAL SOURCES</b>	<b>16,731,037</b>	

**2. QAP Section 2 Priorities, Homeless**

100% of the housing at Veterans Renaissance Apartments at Fitzsimons will target homeless Veteran individuals and families, including Veterans with special needs, including serious and persistent mental illness, substance use disorders, and co-occurring conditions as defined in Section 5.B.5. of the QAP. Permanent on-site supportive services will be provided and coordinated by the Colorado Coalition for the Homeless, with case management and clinical services provided by the VA Medical Center.

A significant portion of the chronically homeless Veterans are an aging population of 55+ years with a larger percentage of disabilities than the general homeless population. The project will have a ground floor “suite” of five one bedroom units at the eastern side of the lobby with a controlled

entrance and ramp and stair access. The ground floor units will be 100% accessible units and prioritized for mobility impaired residents for their ease of access. The site plan includes lighted ambulatory paths suitable for mobility impaired individuals that link the project with neighborhood walkways and public transportation connections. We plan to program the majority of our units to be designed with full ADA accessibility and universal design elements in place to ensure they can stay housed independently for the longest amount of time possible.

There is a clear need to house Homeless Veterans in the Denver metro area and given our partnerships with the Colorado Department of Human Services and Veterans Administration, and combined with the synergy of the site location; our Veterans Renaissance Apartment will make a significant positive impact on improving the lives of our formally homeless Veteran residents.

### **3. QAP Guiding Principles**

- *To support rental housing projects serving the lowest income tenants for the longest period of time*

Our Veterans Renaissance Apartments at Fitzsimons will accept the longest compliance period offered, 40 years, for placing affordability restrictions on the property. 30% of units are deeply affordable at or below 30% AMI. 25% will be reserved for homeless individuals and families. CCH is a long-term operator of Supportive Housing properties serving the Homeless whose goal is to provide lasting housing solutions for the neediest. As such, we typically exceed the affordability restrictions in housing the very lowest income segment of the community in our projects. The ground lease with CDHS will enable us to keep units affordable to the neediest Veterans through the entire initial 50-year term of the lease.

- *To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria*

Our property site, which is in a QCT, is on the western edge of an area of major revitalization in Aroura called the Fitzsimons Urban Renewal Area. The tract is roughly bounded at the north by Fitzsimons Parkway, to the east by I-225, to the south by Colfax Avenue and to west by N. Peoria Street. This area comprises the Fitzsimons Innovation District, the CU Anschutz Medical Campus, the future relocated VA Eastern Colorado regional medical center and a new TOD Station Area along the opened R-line (Fitzsimons Station) all of which have significant funding and support from private, local, state and federal entities.

Our project site location provides a great amount of synergy and attraction for our formally homeless Veteran residents given the proximity of the new Veterans Administration Medical System at the eastern edge of the CU Medical Campus and other Veteran services in the area. Our development will provide flex office and treatment space in anticipation of having the ability to provide limited clinical services on-site by the VA medical staff or community-based behavioral health providers. The site is adjacent to CU Anschutz Medical Campus which may offer future opportunity for partnerships with the Medical School and Veterans at the property. The cumulative effect promotes CCH's vision of housing as healthcare and creates a connected service-rich environment for the residents.

Our Veterans Renaissance Apartments at Fitzsimons will support and enhance the Fitzsimons area redevelopment while concurrently providing much needed supportive housing and services to homeless Veterans.

- *To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit.*

CCH is a Colorado non-profit organization that has developed over 1,700 supportive affordable units in the Denver Metro area. The majority of these units were developed in partnership with the LIHTC program. Every project developed in this partnership has significantly improved the lives of our community's lowest income population.

- *To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing.*

The Fitzsimons Veterans supportive housing being proposed offers a unique opportunity to provide service enriched housing to a greatly underserved and diverse population that includes Homeless Veteran Seniors and Families in partnership with the State Department of Human Services and Veterans Administration. Our development will make a significant impact in housing homeless Veterans.

- *To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail.*

The site is within 0.25 miles from six different RTD bus lines, including Bus Rapid Transit to Boulder and limited express busses to downtown. The site qualifies as a Transportation Oriented Development (TOD) site and offers great connectivity to both Aurora and Denver by close proximity to RTD rapid bus lines and connectivity to the new R-Line via the station at Fitzsimons. The site is adjacent to bus lines servicing the 40<sup>th</sup> and Airport Boulevard A-line light rail stop and two blocks of the East Colfax Avenue bus corridor, which offers express service to Downtown Denver. The site is scored as very walkable with 72 out of 100 and very bike friendly with 84 out of 100 points.

- *To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period*

Our proposed allocation amount is approximately \$20,833/unit which is within the range of allocated awards in 2016. In order to assure long-term sustainable operations, CCH limits the amount of permanent debt as risk mitigation.

- *To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval.*

CCH projects generally range from 60 units to over 100 units at each location. We have purposefully chosen to limit this development to 60 units of supportive housing based on current project costs, and the amount of Local, State and Federal resources available and considering budget reductions and Tax reform

outlined by the current administration; while still providing a significant impact in housing the homeless Veteran population in the PMA.

4. *Describe how the project meets the criteria for approval in Section 2 of the QAP:*

a. *Market conditions:*

As described above and in our Market Study there is a high demand for supportive housing for Veterans. The existing capture rate is 7.2% for our targeted population of homeless and transitionally housed Veterans. With our planned units at Fitzsimons the capture rate only raises to 15%. Because of the pent-up demand for supportive housing for the homeless throughout the Denver/Aurora metro areas, our projects attract residents from outside of the PMA. We typically reach Stabilized Occupancy within 3 months of opening. **There is a clear and present need for Homeless Veteran's housing.**

b. *Readiness-to-proceed:*

Our proposed development has entitlement and initial design approval via jurisdictional review from the State (CDHS) as the primary entity approving site design, building components and parking, in cooperation with the Fitzsimons Redevelopment Authority's Design Review Board (See Zoning Verification and attached 1999 Memorandum of Agreement). Finalization of design review and approval is estimated to take four to five months and be completed Fall 2017. The site is directly under the State's jurisdictional control and does not require zoning or development plan approval from the City of Aurora's Planning Department.

Building construction documents and site infrastructure plans will be reviewed and permitted through the City of Aurora who will perform typical oversight of construction related activities and approvals. We have initiated our Development Process review, and can start concurrently with design review by State and FRA. Our design team anticipates gathering all initial feedback from City's life safety, building and civil engineering review and moving swiftly into our Construction Documents review by late summer with a full permit set in hand by early 2018. The development team has been working with Alliance Construction Solutions who were the General Contractor for our successful Uptown Lofts and North Colorado Station projects, to price the drawings. Their cost estimate is included.

c. *Overall financial feasibility and viability*

The project has sought to maximize leverage of the "donated" land from CDHS for an award of LIHTC allocation to our Veterans Renaissance Apartments at Fitzsimons project. Both City of Aurora and Arapahoe County have indicated they will support the project upon LIHTC award. Our development meets City of Aurora's five-year plan consistency as a housing priority and has the support of the Community Development Department. The County of Arapahoe has also indicated its willingness to work with us to finalize project funding upon notification of an LIHTC award. We will submit our application to CDOH for housing development funds later this year and pending a LIHTC award. We have let CDOH know we anticipate applying for their gap funding. We will apply for FHLB AHP funds and based on our high scoring and previous participation will anticipate securing the stated grant amount. Our AHP application will be submitted mid-June and awarded by October



2017. We see no issues with meeting CHFA's requirement to have all funding committed and in place 13 month after notification of award.

Based upon our conversations with our funders, and experience in recent developments, the development team is confident our costs and funding sources are reasonable and our ability to manage and operate the project is sustainable.

*d. Experience and track record of the development and management team:*

CCH is a leading developer of affordable, supportive housing and service facilities in the Denver Metro Area. We are recognized in both Colorado and nationally as a leader in Housing Development management and financing and in providing state-of-the-art wrap around services to stabilize formally Homeless Individuals and families. CCH maintains a skilled, in-house, 4 FTE, real estate development team, which oversees all CCH construction projects including community facilities, LIHTC developments, and mixed income, affordable housing developments. In over 27 years of service, the Colorado Coalition for the Homeless has developed more than 1,700 units of supportive affordable housing through 16 developments.

Our integrated housing approach blends high-quality affordable housing with supportive services for formally homeless and very low income families and individuals. Services such as health care, counseling, life skills training, financial literacy and employment assistance contribute to the housing stability for those who once were homeless. Our quality architectural designs and environmental standards add significant value to existing neighborhoods and cultivate pride and well-being among residents and the larger community.

Renaissance Property Management Corporation, a subsidiary of CCH, manages over 1500 units in Denver, Englewood, Lakewood, Thornton and Aurora, Colorado. RPMC employees have been involved in all aspects of CCH's LIHTC properties in the Denver area. Their involvement includes conceptual planning, construction, and asset management. RPMC has successfully leased up 10 CCH LIHTC properties in less than 90 days, and maintains 99% occupancy in these properties.

Alliance Construction Solutions has been a successful and respected GC partner in the recent past in our Uptown Lofts completed in 2010 and North Colorado Station completed in 2016. We feel confident in their ability to deliver our project on time and under budget. Additionally, they have deep experience working with City of Aurora's permitting and inspections procedures.

Workshop 8 Architecture has deep experience in designing high quality and thoughtful designed affordable and supportive housing with a number of area developers including Denver Housing Authority, Aurora Housing Authority and Thistle Community Housing. As our schematic plans show, they are forward thinking but also budget minded in their design and site programming.

*e. Cost reasonableness:*

Total project development costs of \$278,850/unit are in line with similar developments being built or in pre-development. Based on a survey of 2016-17 LIHTC awardees, we are in line with per unit costs that the Front Range community is currently experiencing as well. We will be able to offset increasing construction costs, decreased equity pricing and further leverage state, local and federal

soft funds to the project through a long-term ground lease agreement with CDHS with nominal annual rent. The monetary savings in land costs equates to a \$3.5M donation based on local market land comps.

*f. Proximity to existing tax credit developments:*

There are a number of tax credit developments built or planned in the vicinity of our development as listed in our market study, however none will directly compete with the intended homeless Veteran population. Paris Family Housing is being constructed by Brothers Redevelopment, Inc. is under construction due west of our site and is targeted to families. Peoria Crossing (at 30<sup>th</sup> Ave) will be an 82-unit family development by Aurora Housing Authority and is scheduled for completion in 2019.

*g. Site suitability:*

The current site is a great urban infill opportunity on underutilized land with an excellent location, access and visibility. All required utilities and service provision for the development at the site are accessible with minimal connection (See attached “will-serve” letters from energy provider, telephone-internet and water/sewer)

The site is very suitable for the intended Veteran population due its proximity to the VA hospital under construction on the Anschutz Medical Campus and other nearby Veteran Services providers which will provide our tenants with direct access to VA resources and services. The site is also within walking distance to a convenience store, specialty grocery store, neighborhood shopping center, elementary school, middle school, high school, bus stop, light rail station, hospital, library and park, and within 1.5 miles of a supermarket, community shopping center, Walmart, childcare center, medical clinic, head start center and recreation center. This TOD site is also serviced by multiple bus lines and transportation options.

*5. Provide the following information as applicable:*

*a. Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA’s minimum):*

Our proforma shows slightly higher PUPA but is normal for permanent supportive housing serving formally Homeless populations and is in-line with other recent CCH developments. Additionally, our DCR starts higher than what is indicated as benchmark by CHFA but drops within CHFA’s range by year 15.

*6. Address any issues raised by the market analyst in the market study submitted with your application:*

There were no issues raised by the market analyst.

*7. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:*

There were no Recognized Environmental Conditions found in our ESA that warrant further study. There is an existing small building from the original army base on the western side of the site that

will be demolished in the development plan. Prior to demolition, the building will undergo environmental review study to determine if environmental remediation is required when demolition occurs. CCH has extensive experience in such remediated demotion as part of overall site preparation and we included that costs in our budget.

8. *Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:*

Our budget for water and sewer tap fees is \$690,000. City of Aurora has high water and sewer connection tap fees in comparison surrounding municipalities. The water and sewer tap fees alone are over \$10,000 per unit, without irrigation service and additional meter fees. We will seek waivers of fees but recognize we may not be successful in having tap fees reduced. We plan to reduce our irrigation needs at the property by landscaping with native Colorado vegetation.

9. *In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):*

The project is urgently needed within the Veteran community and has been contemplated since the closure and redevelopment of Fitzsimons Army Base started many years ago. Community stakeholders specifically require our intended use for a continuum of residential housing and care for Veterans and their immediate family members in an interconnected campus on the site. There has been tremendous community and political support to bring this much-needed supportive housing project for Veterans into being at Fitzsimons as embodied in House Bill 16-1397 signed into effect last June by the General Assembly and Governor. The Bill emphasizes the urgency of the proposed housing and calls for expeditious development of homeless housing for Veterans as originally intended at the site. The Fitzsimons State Veterans Living Center Site Advisory Group comprised of Veterans, VA staff, county commissioners, municipal and state stakeholders have worked at encapsulating the vision for incorporating permanent supportive housing for Veterans at the southern portion of the site. CCH has been working with all stakeholders to refine the vision for project and is honored to build on all the groundwork and make the much-needed housing a reality.

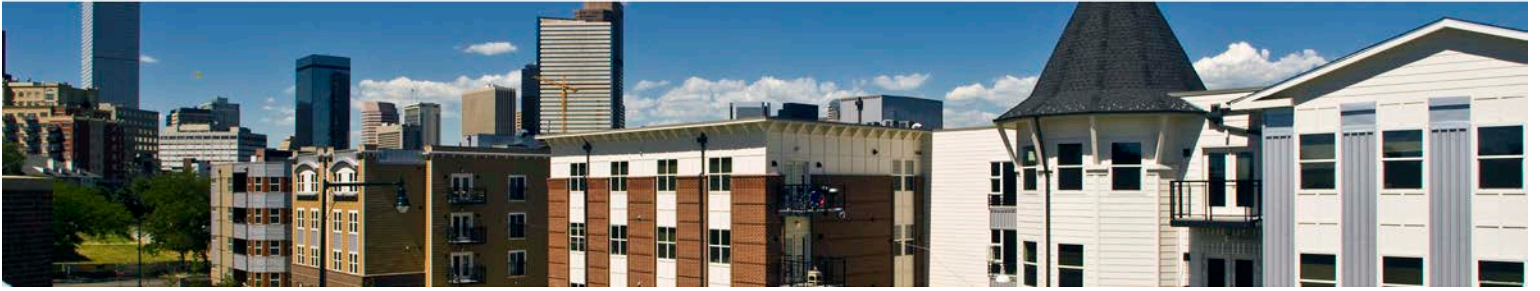
We have engaged the stakeholder community in sharing our vision of development on the State's land. We've established contact with the Fitzsimons State Veterans Living Center Site Advisory Group who have been integral in guiding the vision for both the southern and northern vacant portion of land around the existing in nursing home. We've reached out to both Fitzsimons Redevelopment Authority as well as CU Campus planners and facility directors and the City of Aurora Deputy Director's Office to engage them on our process and design. Although the site and project will have minimal impact on the neighborhood west of Peoria, we plan to present our schematic plans to Northwest Aurora Neighborhood Organization (NANO) when they next meet.

### **Summary**

We believe the need to provide permanent supportive housing for Homeless Veterans with the committed support from Colorado Department of Human Services, Veterans Administration and local Stake Holders combined with our substantial experience in the development and operation of supportive affordable housing results in a very compelling application for approval of an allocation of Tax Credits.

Just as important, the unique synergy in the site location with nearby veteran services and transportation and our project design targeted to meeting the special requirements of Veterans and providing a quality residential environment with on-site services will result in substantially improving the lives of our formally Homeless Veteran residents.

# 9% lihtc application narrative



Project Name: Walnut Street Lofts

Project Address: 3601 & 3789 Walnut Street Denver CO 80205-3307

## Executive Summary:

Over the past 3 years Medici has been working with our partners at the Urban Land Conservancy to develop this parcel into a community asset in this rapidly gentrifying neighborhood. While our previous setbacks with regards to tax credit funding have been disappointing, the project we are now able to present is actually a better use of this very special site. Previously our plans involved the construction of approximately 115 units along Blake Street, with the balance of the site used as surface parking. Today we plan to develop the Walnut side of the site into 65 units of affordable housing in an elevator serviced 5 story building with tuck under parking. The Blake side will now be developed by a market rate developer into a 16 story high density residential project. The result will be a high density mixed income and mixed use development that fully capitalizes on this very unique location.



While the current iteration of this project is smaller than previous submittals, it does provide a greater level of affordability than previously proposed, with 10% of the units set aside at 30% AMI, 40% at 50% AMI, and 50% at 60% AMI. The greater affordability really targets those most at risk of displacement in one of Denver's fastest growing neighborhoods. The project will contain a mix of one (46%), two (48%) and three bedroom (6%) types designed with open floorplans, washer and dryers, and ample storage.

The project will contain a ground level on-site management office. On the second level a multipurpose community area opens onto a large outdoor patio overlooking Walnut Street. The community area will contain a lounge, exercise room, and business center. Another roof top deck on the 5<sup>th</sup> floor provides a smaller setting for residents to enjoy views of the city. A small amount of community retail / commercial space will front Walnut Street at the ground level. While this is being owned and financed separately from the proposed project, we hope to attract community arts groups and other similarly civic minded organizations into the space.

## Section 2 Housing Priorities

- **Affordability:** This mixed income project will provide 65 units of housing affordable to households earning 30% - 60% of AMI for 38 years.
- **New Construction in a QCT:** This project will create 65 units of new affordable housing in a rapidly gentrifying QCT. The value and location of this site make it very attractive to market rate developers, putting it at risk of alternative uses should this project not proceed.
- **Distribution of Credits:** the project will be located in a very high cost urban area adjacent to light rail. But for the foresight of the Urban Land Conservancy to purchase this site in 2011, it would not be financially feasible to develop this site into affordable housing.
- **Proximity to Public Transportation:** The project is located immediately adjacent to the 38<sup>th</sup> and Blake light rail station, which is under construction and will open before this proposed project. In addition to light rail service, bus routes run along each of the four roads adjacent to the site, providing bus service in every direction.

Market Conditions: The need for affordable housing in this area is great. The vacancy within the LIHTC projects surveyed on our PMA is 0.3%, with all projects maintaining waiting lists with 79 – 250 applicants. There is pent-up demand for affordable housing in this market area. The project's affordable rents represent a 51% - 82% savings over surveyed Class B market rate projects, providing a significant value to prospective residents. The required capture rate is 19.4%, below CHFA's underwriting threshold. Our market study recommended no changes to the project, and suggested that it would lease up in three months with no need for concessions.

Readiness-to-proceed: The site is zoned for multi-family and it is a use by right. We expect to spend the next 8 months working with the architects and the City to develop construction documents and then approximately 4 months in permitting. Construction would commence in the first quarter of 2018.

Overall financial feasibility and viability: The proposed affordable rent levels are achievable in the market. In fact, our rents are 51% - 81% below the average Class B rents in the PMA. In addition to the equity raised through the sale of tax credits, the project will utilize a mix of traditional and alternative financial products. A traditional 1<sup>st</sup> mortgage will be complemented by grants from the City of Denver and State of Colorado.

Experience and track record of the development and management team: Medici Development has been deeply involved in the development, finance and operations of affordable housing for over 15 years. We have been involved in all aspects of the development process, including complete development, construction management, and financing consulting for the LIHTC program in Colorado. Our team of professionals has been involved in every element of project development and management. We focus on and specialize in public/private partnership projects such as this. We have consulted with other non-profits and housing authorities. We have built and overseen the construction of multiple projects throughout the State. In terms of property management, we plan to contact with Echelon property Management Company to operate the project. Echelon currently operates all of the projects in our portfolio, and has an excellent track record of compliance and efficiency.

Cost reasonableness: Medici's strong background in construction will produce a very high quality project at a very competitive price. The proposed project will benefit from an efficient building design and parking configuration. In a climate of rapidly increasing construction costs, every effort must be made to design and execute on an efficient program.

Proximity to existing tax credit developments: There are several existing tax credit projects in the PMA. Many of these are older and smaller tax credit projects. The nearest projects to this site include the Renaissance Downtown Lofts, located about 18 blocks southwest of our site. That project serves homeless and special needs tenants. Denver Housing Authority has been awarded credits for the redevelopment of the Platte Valley Homes public housing project; like the CCH project these units will all be deeply subsidized. The market analyst saw no problems stemming from the proximity of these projects.

### Site Suitability:

- **Shopping:** There are a number of small local markets within walking distance of the project. The nearest supermarket, Safeway, is located 18 blocks south of the project at 20<sup>th</sup> and Washington St. A Natural Grocers located 0.3 miles from the site at 38<sup>th</sup> and Brighton Blvd. is under construction now and is slated to open in this summer. A number of restaurants, taverns, and other local shops are within walking distance of the project, with many more opening all the time.
- **Parks and Recreation:** The St. Charles Park and Recreation Center is located one block east of the site. 5 blocks south is Curtis Park. The Platte River trail system can be accessed via the new 36<sup>th</sup> Street pedestrian bridge.
- **Education:** The City of Denver School District operates several schools in the neighborhood, providing an excellent mix of options at every grade level. Mitchell Elementary, Harrington Elementary, Cole Arts and Science Academy, and Gilpin Montessori are four close by public elementary / middle schools. Manuel and Bruce Randolph are two area high schools. There are multiple smaller private schools and childcare providers throughout the area.
- **Public Transportation:** Public transportation opportunities are excellent. The project is located at the 38<sup>th</sup> and Blake light rail station. A future extension of the Downing line north would bring the terminus of that line to the 38<sup>th</sup> and Blake Station. This project will be located at the intersection of these two light rail lines. Bus service is excellent as well. RTD provides bus service along Marion, 38<sup>th</sup> Walnut and Downing Streets, providing access to locations in every direction. A pedestrian bridge under construction a few blocks south of the site will provide access to the Platte River trail. Several of the surface roads leading back south into the City, including Larimer (one block east of the site), provide dedicated bike lanes.

### Underwriting Criteria:

1. Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum): N/A
2. Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis: N/A

Market Conditions: The market conditions for this project are very strong. As the area continues to gentrify affordable housing options are decreasing as rents rise. Consequently, this

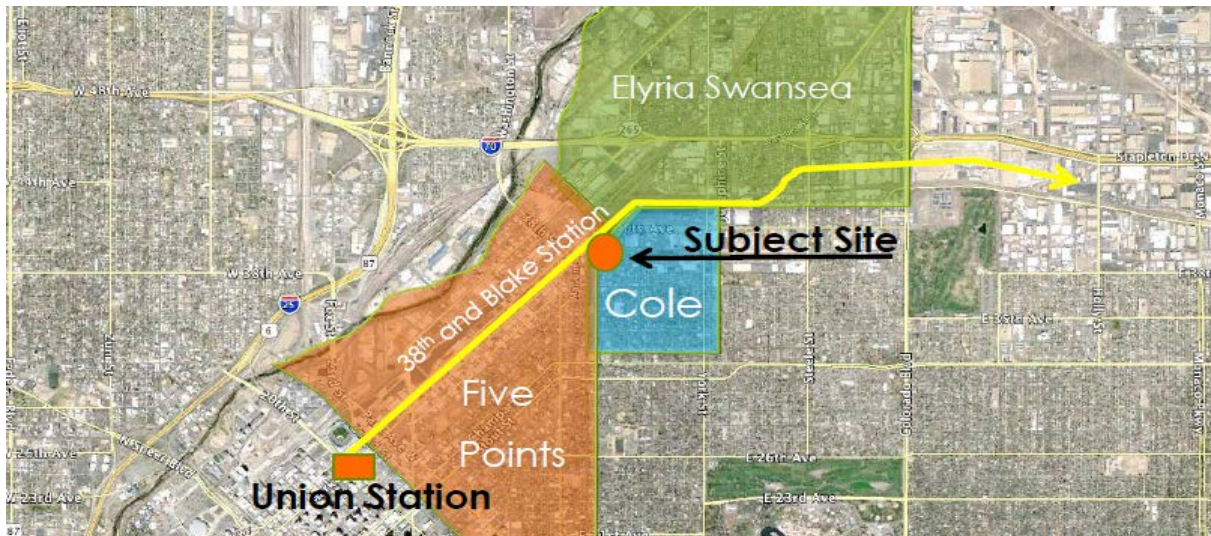


project will offer a tremendous value proposition to its residents with rents as much as 80% less than comparable class B properties in the neighborhood. The market study recommended no changes to the proposed project.

Environmental Issues: The ULC performed both a Phase and Phase II study in 2011. Based on those reports a number of REC's were identified and subsequently addressed. Medici recently performed another Phase II report, which verified the completion of the work performed by the ULC. This Phase II also identified the presence of one final REC (coal ash) just beneath the surface of portions of the site. This material was deposited on the site years ago by the operators of trains on the adjacent railroads. This material is shallow in depth, only 12" on average. Our analyst has quantified the amount of material to be removed prior to construction and provided an estimated budget for the same, which has been included in our development budget

Community Outreach and Local Support:

The Urban Land Conservancy identified this site in 2008 and acquired it out of foreclosure in 2011, utilizing The City of Denver's TOD loan fund to finance the acquisition. Located directly across from the 38<sup>th</sup> and Blake light rail station, ULC saw this one and a half acre site as a long term opportunity to preserve affordable housing options for residents of one of Denver's rapidly gentrifying neighborhoods. Located at the intersection of three of Denver's oldest neighborhoods (Five Points, Cole, and Elyria Swansea), this project has been identified as an opportunity to link a diversity of households in these neighborhoods together with the rest of one of the largest public transportation investments in our country.



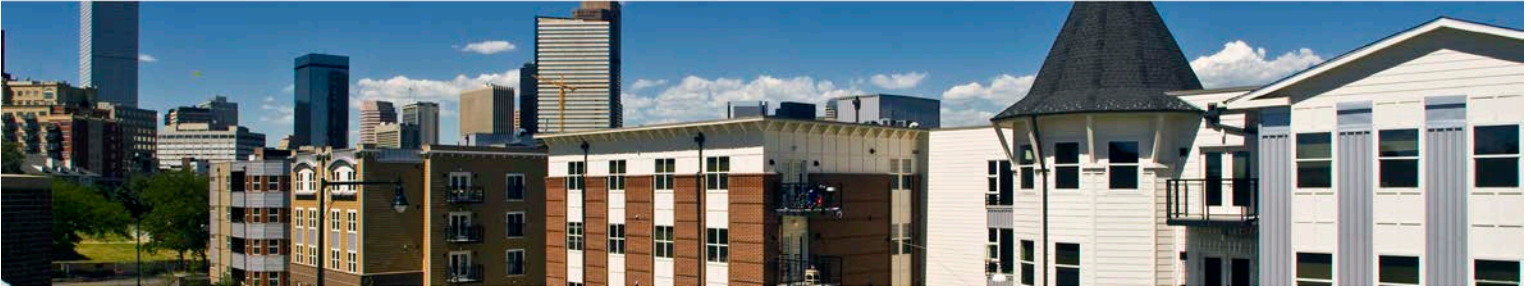
Nearly 7 years of community meetings generated consensus around several design principals, including: density, connectivity, mixed use, shared spaces, and equity. ULC conducted a design charrette at the Colorado Housing NOW conference, which informed the program that was used to craft a request for proposals to the development community. Through this competitive RFP process the ULC selected Medici Communities and more recently another market rate developer to develop both halves of the site. The project was envisioned by the community to be a mix of uses serving a mix of incomes. The master development plan achieves this goal by providing a mix of high density market rate and affordable housing along with a variety of commercial uses.

The project area is also the focus of several formal City plans. Since 2008 there has been strong neighborhood support for a revitalization effort, led by the Denver Office of Economic Development and the Five Points Business District Office. This effort led to the development of the Welton Corridor Urban Redevelopment Plan in 2012 by the Denver Urban Renewal Authority. (Currently DURA is conducting a related blight study of this area, which includes this subject site.) The plan describes the vision and strategies for rebuilding retail along Welton and Downing streets. The plan encourages “Transit-Oriented Development along transit lines and near stations, in order to provide housing, services, and employment opportunities.” The site is also included in Denver’s 38<sup>th</sup> and Blake Station area plan. Of note in that plan is the goal of improving pedestrian circulation in and around the subject site in order to improve local access to the station. These improvements will have a converse benefit to our residents, providing them improved access to surrounding neighborhoods.

We have continued to be involved in the planning for this neighborhood. Most recently the City has begun to develop an overlay district and revised zoning standards for the area. If adopted by Council later this summer, the result would be to create a density bonus for developers who include affordable housing in projects. It is very possible that our project could benefit from this situation: using a three party agreement the City would provide a density bonus to the developer of the adjacent market rate project, who will in turn provide funding to our affordable project. In so doing the market rate developer can transfer its affordable housing obligations off-site, our project can benefit from a new source of gap financing, and the City can spend its scare HOME and CDBG funds in other parts of the City not subject to these density bonus regulations.

Included as a separate attachment to this narrative are multiple letters of support from various elected officials, non-profits, and neighborhood organizations.

# 9% lihtc application narrative



Project Name: *Water Works Apartments and Libretto II Apartments*

Project Address: *575 Bush Street and 575 South 8<sup>th</sup> Avenue, Brighton, Colorado 80601*

The Narrative provides an opportunity for the applicant to describe the characteristics of the project and why the applicant believes it should be selected above others for an award of credit. The applicant should document the project's strengths and address its weaknesses. **This document should be no more than 8 pages.**

In addition, the narrative should address the following:

1. One page Executive Summary:-Provide a description of the project as proposed; detailed type of construction (including foundation type, framing, roofing, building skin, circulation, stairs, etc.); population being served; bedroom mix; location; amenities; services, if provided; description of energy efficiencies; type of financing; local, state, and federal subsidies; etc. Also, what, if anything has changed since previous application (if applicable).

*The project includes the development of a scattered site, to be constructed: Water Works Apartments; 24 new units for independent seniors and the rehabilitation of the existing historic building into a clubhouse for the property, as well as completing the 2<sup>nd</sup> phase of the Libretto Apartments; connecting and adding 42 new units for independent seniors on the west side of the existing 1<sup>st</sup> phase of the property. Project construction for both sites will be wood-frame on a post-tension foundation system. Exterior materials will include hardboard siding and brick veneer. At Libretto Phase II, the design of the proposed project will match the existing Phase I building, so that when completed, the project will have the appearance of a single development, rather than a project that was developed in two phases. Landscaping will be extensive in accordance with City of Brighton specifications. The projects will be designed to meet all required local, state and federal guidelines for accessibility. In addition, every attempt will be made to design, construct and manage the projects utilizing "green" guidelines and materials. More details on the specific "green" materials to be used and management guidelines that will be implemented, are included in the Green Communities Intended Methods Worksheet attached to the application.*

*The Water Works site houses a historic building which was originally constructed in 1919 and served as the City of Brighton's Town Hall building. As the City of Brighton grew, the building has been utilized for many purposes serving the City. It was the pump house for the water tower and city water supply for a number of years. It has also been used as a library and a senior center. The historic building is a brick structure with additions added to the east and north sides of the building. We plan to utilize the building as the community clubhouse and to construct management offices and common spaces reserved solely for the use of the residents. Amenities will include an atrium connection point for all buildings, a community kitchen and café area, media room, manager's office, mail kiosk, public restrooms and library. Also, free wifi, a common laundry area for oversized items to serve the needs of the residents, computer room with provided computers,*

*craft/ game room and an exercise room with provided equipment. Additional exterior amenities include gathering areas, benches, a community garden, walking paths, and immediate, direct access to downtown Brighton. All of the common areas described above will be available to the residents free of charge at all times.*

*The Libretto II site is located directly west of the existing Libretto Phase I building which was constructed in 2013. This project included the rehabilitation of a former library building built in the early 1970's. The façade of the building was restored to its original condition and many of the original interior structures and fixtures were maintained and re-used. That building now serves as the clubhouse for the apartments. Phase II development will include one building, a three-story, elevator-served structure (separate elevators will serve each phase of the property). The building will be constructed so that it attaches to the existing clubhouse on the west side. Therefore, the second phase will share the existing common areas, including a restricted entry, large lobby area, a community kitchen and café area, media room, manager's office, mail kiosk, public restrooms and library. Also, a common laundry area for oversized items to serve the needs of the residents of both buildings, computer room with provided computers, craft/ game room, exercise room with provided equipment and private dining room that can be reserved by individual property residents. A free wi-fi connection exists in the Phase I building and will also be provided in Phase II. Additional exterior amenities include a community garden, gathering areas, benches, walking paths, and immediate, direct access to Carmichael Park to the west. All of the common areas described above will be available to the residents free of charge at all times. A minimal, refundable deposit may be required to reserve a space for special functions either in a private dining room or in a community room.*

*Libretto Phase II will include 42 units consisting of 36 one-bedroom/one-bath units and 6 two-bedroom/one-bath units. The one-bedrooms will be 653 square feet and the 2-bedroom units will be 835 square feet in size. The affordability mix includes; 4 units at the 30% AMI level (2 one-bedrooms and 2 two-bedrooms); 6 units at the 40% AMI level (6 one-bedrooms); 12 units at the 50% AMI level (9 one-bedrooms and 3 two-bedrooms); and 20 units at the 60% AMI level (19 one-bedrooms and 1 two-bedroom).*

*Water Works will feature 24 units consisting of 19 one-bedroom/one-bath units and 5 two-bedroom/one-bath units. The one-bedrooms will be 653 square feet and the 2-bedroom units will be 835 square feet in size. The affordability mix includes; 3 units at the 30% AMI level (2 one-bedrooms and 1 two-bedroom); 4 units at the 40% AMI level (3 one-bedrooms and 1 two-bedroom); 9 units at the 50% AMI level (6 one-bedrooms and 3 two-bedrooms); and 8 units at the 60% AMI level (8 one-bedrooms).*

*Individual unit amenities at each property will include vestibule entries, nine-foot high ceilings, provided washers and dryers in each residence, a full appliance package including self-cleaning oven, dishwasher and frost-free refrigerator, walk-in closets, cable television hookup and a private individual balcony or patio. At both properties, the individual unit amenities will include a full appliance package, including a dishwasher and frost-free refrigerator, garbage disposal, cable television hookup, carpet and vinyl flooring.*

*Provided services at both sites will include organized gatherings, community newsletter and bulletin board and an on-site manager who will serve residents, organize activities and coordinate service providers from the area. Services provided by the management company will be tailored to meet the specific needs of senior residents.*

**2. Identify which, if any of the priorities in Section 2 of the Qualified Allocation Plan (QAP):**

- Projects serving Homeless Persons as defined in Section 5.B 5
- Projects serving persons with special needs as defined in Section 5.B 5
- Projects in Counties with populations of less than 175,000



*The proposed project may not meet a strict interpretation of this principle; however, we'll provide properties that help to maintain and increase the independence of our senior residents. We do this by providing an effective, well-designed project, employing senior-sensitive staff and managers, and by managing the property day-to-day in a way that provides social and inclusionary activities for our residents, bringing in activities from outside the property, providing for resident's health with regular classes, and always operating our properties in a way that goes beyond the operation of a real estate property, to providing a sense of community. All these things help to maintain and increase the independence, quality of life and the life expectancy of our senior residents.*

3. Identify which, if any, of the guiding principles in Section 2 of the QAP the project meets and how it meets them:

- To support rental housing projects serving the lowest income tenants for the longest period of time

*Both Water Works and Libretto II Apartments will provide affordable housing to low-income senior residents at a range of AMI levels from 30% to 60%. In today's marketplace, these are extremely favorable when compared to market rates. Our rents will be attractive for the majority of senior residents, who are typically on fixed incomes. Also, because the Housing Authority is a co-developer of the project, and its long-term owner, project affordability will continue long beyond the maximum Extended Use Period selected in the Scoring section of the tax credit application.*

- To support projects in a QCT, the development of which contributes to a concerted community revitalization plan as defined in Section 5.A 4, Primary Selection Criteria

*The proposed projects are not located in a QCT however, as indicated elsewhere in this Narrative and the Market Study, one of the sites is located within close walking distance of downtown Brighton, which is undergoing a significant redevelopment.*

- To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas

*Water Works and Libretto Phase II will provide much needed affordable senior housing in the City of Brighton. The other three projects developed by the co-developers in Brighton, Brighton Village Phase I, Phase II and Libretto Phase I, have been extremely successful. Brighton Village has a waitlist of over 700 prospects. There's also a significant waitlist at Libretto I with over 130 households. This clearly indicates the need for more affordable senior housing in the community, which has a distinctly rural atmosphere and a high number of very loyal residents. As stated in the Market Study "there are no other known, approved, planned properties in the PMA that would be comparable or competitive with the subject".*

- To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit

*The development of this project will provide the best of both worlds. The Brighton Housing Authority is striving to become a viable owner of affordable properties, so that it may better serve the community. The for-profit co-developer, MJT Properties, Inc. has an excellent track record in the development and management of both senior and family tax credit properties throughout the Front Range of Colorado. In addition, the participation of the two co-developers, through their partnership, will provide not only an excellent source of cash flow and stability for the Authority, it will allow the Authority to expand their portfolio of affordable housing in the future.*

- To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing

*Since Water Works and Libretto II will serve only independent senior residents, it clearly meets this principle. These projects will also serve to meet the need for supportive housing by providing a sense of community to residents through a wealth of common area spaces, activities, services and programs. The projects will provide much needed affordable senior housing in the City of Brighton.*

- To provide opportunities for affordable housing within a half-mile walk distance of public transportation such as bus, rail, and light rail

*Both projects are located just 2 blocks from their respective nearest bus stops. The Water Works project is located just 0.3 mile from a Park 'N Ride facility that provides transportation throughout Brighton, to Denver and to DIA. The Libretto project is just 0.8 miles away from the Park 'N Ride. The projects are both also located within a Call 'N Ride zone, so that public transportation will be available at the front door of the property. The Access-a-Ride program for door-to-door transportation for person with disabilities is also available.*

- To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing

*The proposed projects meet this principle as they'll provide new construction of high quality, needed affordable rental housing properties. The developments will be constructed and managed by an experienced team. The units and common areas will be spacious and beautiful and designed to meet the specific needs of senior residents, who will become part of inclusive and supportive communities.*

- To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability as a qualified low income housing project throughout the credit period

*As indicated in the application and this Narrative, the proposed projects have been carefully planned to maximize available resources and to provide the best housing possible at a reasonable cost. Financial support will be provided from the Colorado Division of Housing. The willingness of the developer to defer a significant portion of their fee and the incentives and reductions in fee that will be provided by the City of Brighton, all demonstrate a strong belief in the financial feasibility and long term viability of the project.*

- To reserve credits for as many rental housing units as possible while considering these Guiding Principles and the Criteria for Approval

*The project meets this principle through a combination of developing the projects as a scattered site, and creating economies of scale, therefore reducing the amount of Tax Credits needed. The cost savings are possible because the proposed Water Works site includes rehabilitation of an existing building to use as the clubhouse and Libretto II is an addition to an existing development, which will utilize the existing clubhouse and amenities. Additionally, the majority of the infrastructure for Libretto Phase II was completed during the construction of the first phase. All of these factors will allow for economies of scale to be realized for development of the properties.*

4. Describe how the project meets the criteria for approval in Section 2 of the QAP:

a. Market conditions:

*The overall market conditions are very strong in both the housing and rental markets. This strength has increased costs, making affordable housing that much more important to develop and preserve. The Market Study conclusions are all positive with no items that are recommended for change. In addition, the proposed projects are near the recent redevelopment of downtown Brighton, which further complements the location of the properties. As mentioned previously, the only other senior tax credit properties in Brighton are Brighton Village Phases I & II and the first phase of Libretto Apartments, properties previously developed by the same development team. These properties maintain high levels of occupancy and have extensive waitlists.*

b. Readiness-to-proceed:

*Libretto II: Full approval of the zoning, site plan and development plan have been obtained from the City. The site is zoned R-3 (multi-family residential). These items were completed along with the development of Phase I. Site acquisition has occurred. The ownership entity is HC Brighton Libretto 2011 L.P. Shaw Builders LLC, the general contractor on the first phase, has been selected to build Phase II. The same architect has also been retained and has begun work on the project construction drawings. Once notice of a successful Tax Credit reservation has been received, the architect will complete the construction drawings and submit them for a building permit. An administrative site amendment will be necessary for the design of the connection point from Phase II to Phase I.*

*Water Works: Full approval of the PUD has been achieved from the City. The site is zoned PUD, and multi-family is the only approved use for the site. Site acquisition has occurred, as the site is owned by the Brighton Housing Authority. The same general contractor will be used, Shaw Construction LLC. The same architect has also been retained. The final development plan will require an administrative approval. Once notice of a successful tax credit reservation has been received, the architect will complete the plans for administrative approval and the project building permit.*

c. Overall financial feasibility and viability:

*The project will be financed through the sale of Low Income Housing Tax Credits. A preliminary reservation of Credits in the amount of \$1,250,000 is being requested. The project tax credits will be sold to an institutional investor. A letter of interest has been included in the tax credit application from R4 Capital LLC. US Bank will provide construction and permanent financing. US Bank has been the construction and permanent lender for many previous projects developed by one of the co-developers, MJT Properties. HOME funds shall be provided by the Colorado Division of Housing in the amount of \$660,000. There will also be deferred developer fees or equity in the amount of \$841,800.*

*As indicated in this Narrative and elsewhere in the application, the project is viable because of the very high need for additional affordable, independent senior housing in the City of Brighton. This is demonstrated through the historic occupancy of the first phases of Brighton Village and Libretto, the large waitlist at both these properties and the 45-day lease-up occupancy of the second phase of Brighton Village Phase II. Viability is further demonstrated through the analysis and recommendations of the Market Study.*

*Financial feasibility for the project can be demonstrated in many ways, including the partnership and ownership by the Housing Authority, the community support, the provision of soft funds by the state, the experience of the development team, the economies of scale and lower costs resulting from the development of a second phase, and other factors.*

b. Experience and track record of the development and management team:

*The project principals include an experienced group of individuals who have been involved in the Denver area construction, development and property management business for over 35 years. One of the co-developers of the project will be J. Marc Hendricks and MJT Properties, Inc. In addition to other projects, Hendricks has developed 18 successful tax credit properties over the last 21 years. The projects have been completed on time and under budget, and have consistently leased up in less time than anticipated.*

*While MJT has developed affordable housing for all age groups, they have become particularly experienced in recognizing the needs and desires of senior residents, and include 11 senior tax credit properties in their development and management portfolio.*

*The other co-developer will be the Housing Authority of the City of Brighton. The Authority, as indicated above, will have a 100% ownership interest as a limited partner, with no development or financial risk or liability.*

*The ownership structure between the co-developers (MJT Properties and the Brighton Housing Authority) is similar in scope to those used for the successful co-development and ownership of the previously completed Libretto and Brighton Village Phase II Apartments. The sponsorship entity, Libretto Waterworks 2017 L.P., has been formed and all agreements have been fully executed. The site ownership entities, Brighton Housing Authority and HC Brighton Libretto 2011 L.P., upon award, will execute Purchase and Sale Agreements will be executed transferring ownership on both land parcels to the sponsorship entity, Libretto Waterworks 2017 L.P. This is spelled out in the partnership agreement. The agreement calls for the Housing Authority to have a 100% ownership interest, with MJT Properties and its principals to have primary development responsibilities. MJT's responsibilities will include all guarantees for development, completion of construction, loan guarantees, lease-up guarantees and long-term Tax Credit compliance guarantees.*

*The completed property will be managed by Terra Management Group LLC. General oversight of Terra Management is provided by Debi Robertson. Debi has extensive experience in the management of affordable housing properties, including facilities for the exclusive use of independent seniors. All properties managed by Terra perform exceptionally well, maintain high occupancies, high revenues and low expenses. Lydia Smith, who operates the company day-to-day, has been with Terra for over eight years. In addition to her responsibility for daily operations, she is responsible for staff and resident relations, crisis intervention and communications between staff and upper management. Heather Aguirre is an asset manager who has extensive experience with tax credit properties. She has been with Terra for over five years and is primarily responsible for managing file compliance, management reviews and investor/lender inspections and requests. Sheri Wagner, a 10-year employee, is the area manager for all of the 4 properties currently operated in Brighton. She will continue with the day-to-day supervision of the proposed project's on-site staff, thereby providing a significant continuity of management for the subject property.*

*All properties managed by the management team have provided timely reporting and have remained in compliance with all Tax Credit requirements throughout their compliance periods and beyond (for those properties that have reached the end of their initial compliance periods).*

**c. Cost reasonableness:**

*The development team has evaluated the feasibility of the project utilizing 4% bond financing and determined that this financing will not meet the housing needs of the largest majority of people in the community. Therefore, we feel that 9% tax credits are the best source of financing.*

*Regarding the cost reasonableness of the proposed project, there will be significant economies of scale because this is a scattered site development, developing the second phase of the Libretto project, as well utilizing the existing historic structure at Water Works as the Clubhouse for that location, thereby decreasing overall project costs. During the development of the first phase of Libretto, a significant amount of work was put into completing the infrastructure for the entire development.*



d. Proximity to existing tax credit developments:

*As mentioned previously, the only other senior tax credit apartment properties in the PMA, as indicated in the Market Study, were developed by MJT Properties and are fully occupied and operated by Terra Management off of an extensive waitlist. The only other project is in Dacano, nine miles northwest of the subject site. That property is owned by the Greeley-Weld Housing Authority and also operates at a very high occupancy rate. There are no other comparable senior tax credit properties in the PMA and no others currently under development.*

e. Site suitability:

*As previously mentioned, the Libretto Phase II site is located adjacent to the completed first phase of Libretto. The completed subject property will be connected to the existing common areas of Phase I. Hence, this is the perfect location and site for development of a new independent senior property. The connection of the two phases allows for great synergies for marketing, operations, and most importantly for expanded social possibilities for the current residents of Phase I, and the new residents moving into the second phase. The site is also adjacent to an active and beautiful park, Carmichael Park, creating great opportunities for residents.*

*The Water Works site location near downtown Brighton provides many opportunities for residents to walk to area services and entertainment. The neighborhoods surrounding both properties consist of a mixture of mature single and multi-family dwellings and new and mature commercial and retail development.*

*Neighborhood services are fully developed. Access to both sites is excellent. In addition, the Park 'N Ride, conveniently located less than 1 mile from each of the sites, provides excellent access from the property to public transportation. The site is also located in the Call 'N Ride and Access-A-Ride zones, so that public transportation will be available to the doorstep of the properties.*

5. Provide the following information as applicable:

- a. Justification for waiver of any underwriting criteria (minimum operating reserve, minimum PUPA or high PUPA, first year debt coverage ratio below 1.15 or above 1.30, minimum replacement reserve, vacancy rate below CHFA's minimum):

*We are requested waiver of the minimum PUPA due to property tax exemption. Documentation showing the justification of the waiver has been included as supporting documentation as part of the application package.*

- b. Justification of the financial need for CHFA's DDA credit up to 130 percent of qualified basis:

*The property is not located in a QCT or DDA.*

6. Address any issues raised by the market analyst in the market study submitted with your application:

*All comments in the Market Study are positive.*

7. Address any issues raised in the environmental report(s) submitted with your application and describe how these issues will be or have been mitigated:

*No RECs were identified in the Phase I Environmental Site Assessment reports submitted with the application.*

8. Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:

N/A

9. In your own words describe the outreach that you have conducted within the proposed community and demonstrate local support for the project (including financial support):

*MJT Properties Inc. has not only reached out to the community, it has established a long-term relationship with the City of Brighton. It has been a successful partnership, dating back almost 12 years, which has in the past developed 3 affordable housing communities in the City including the previous rehabilitation of the old Library which now serves as the Clubhouse for Libretto Phase I and the future Phase II. In addition to the involvement of the City, there is significant support from the Colorado Division of Housing for the project. The City of Brighton will also provide affordable housing incentives in the form of significant fee waivers and reductions.*

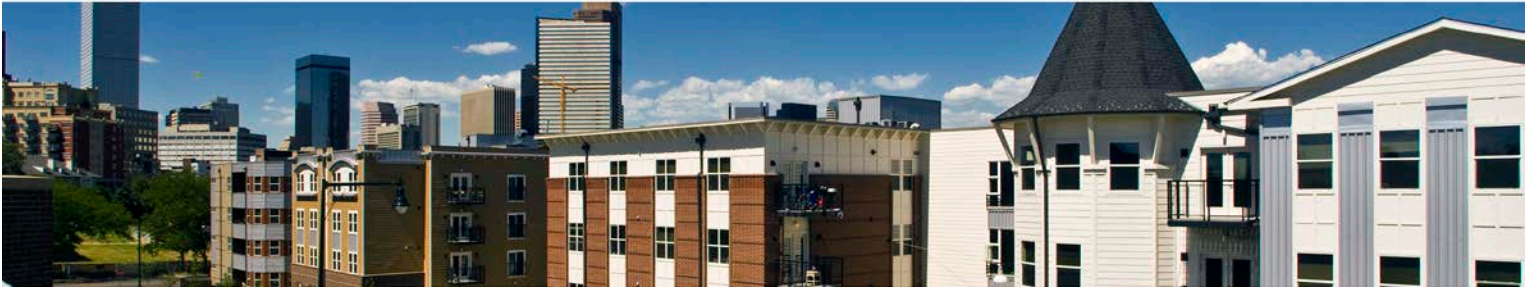
10. For acquisition/rehab or rehab projects, provide a detailed narrative that describes the proposed rehab plans and relocation plan (if applicable). Address the 10-year rule; capital expenditures over the past two years; previous related party relationships; past local, state, or federal resources invested in the project; obvious design flaws; obsolescence issues; safety issues; and any significant events that have led to the current need for rehabilitation (i.e., fire, nature disaster).

N/A

You may also provide additional documentation that supports your narrative by attaching it to the narrative and uploading it to ProCore. Each supporting document should briefly describe what is contained in the attachment.

*Supporting documents have been uploaded to Procore as part of the application submittal.*

# 9% lihtc application narrative



Project Name: **Wintergreen Apartments**

Project Address: **Approx. 21771 U.S. Highway 6, Keystone (Summit County), Colorado 80435**

## Executive Summary

Gorman & Company, Inc. is pleased to submit a 2017 9% Low-Income Housing Tax Credit (LIHTC) application for **Wintergreen Apartments**, a 40-unit affordable housing development in Summit County that will target individuals and families in one-, two- and three-bedroom units.

Wintergreen Apartments is a portion of a 196-unit mixed-income development. In addition to this LIHTC request, 36 Seasonal Housing Units will be set aside for resort workers and master leased to Vail Resorts and 120 year-round workforce housing units will have a rent restriction offered at 100% AMI.

Mountain development is complicated and we have excellent support locally for the project. Wintergreen is designed to deliver excellent value to the 9% LIHTC program by offering:

- Economies of scale to reduce costs and our credit request. The combination of other housing products on the same site economizes infrastructure costs and offers scaled construction value.
- Reduced costs through a ground lease from a local employer, Vail Resorts; a commitment that makes our project concept feasible.
- Local funding in the form of property tax exemption and a \$300,000 commitment from Summit County.

Wintergreen Apartments will be a free-standing, slab-on-grade, wood framed, three-story walk up building with a varied elevation, hardi-panel and stucco siding and pitched roof. Parking will be on surface lots. The site is ideally situated in the heart of major employers for Summit County and has a bus stop 0.1 miles away. The building will employ Enterprise Green Communities best practice standards and utilize Healthy Living Goals.

Wintergreen was an applicant of the 4%/State LIHTC February 2016 round and did not receive an award. Since then, we have worked closely with neighbors, the County planning staff, major employers in Keystone and elected officials to create a project that is well suited for the affordable housing needs in Keystone and the surrounding area.

**If funded, critically needed affordable housing units can relieve an unprecedented housing shortage overtaking Summit County.**

## Project Location

Wintergreen is located between Keystone and Dillon along Highway 6. The site provides central access to many employers in the County: the outlet malls in Silverthorne (6 miles away), Summit County Government (8 miles away), and the ski hills of Keystone Resort (2 miles) and Arapahoe Basin (6.7 miles). Access is good to the County Schools (1.8 to 6 miles) and grocery/retail shops in Dillon (5 miles). The site is also within reasonable proximity to the retail and accommodation businesses that support Keystone, Frisco, Silverthorne and Breckenridge (all within 12 miles of the subject site). The accessibility of employment from the subject site enhances its desirability.

The Wintergreen LIHTC site is part of a 28-acre tract, most of which is not developable. A large portion will remain as open space; there are wetlands to be avoided and some steep grades that would challenge a development budget. We will optimize the site by developing both the Wintergreen LIHTC project, the subject of this application, and 156 other workforce and seasonal housing units in the same large tract. The Workforce Housing project targets employees who work in the County for 30+ hours a week and generally are in the 60% to 100% AMI income levels. With two adjacent projects developed simultaneously we will gain efficiencies in construction (bulk order of materials), more competitive bidding from subcontractors (because we can either increase the scope of work to attract larger subs, or divide the scope of work into smaller pieces to attract local subs), reduced overhead, and spread the costs of General Requirements from the General Contractor over a larger number of units. Additionally, we are able to pro rate the ground lease payment between the two projects, thus lowering the rent to the tax credit project.

## Project Need and Urgency for Funding

The Summit County economy that paused following the Great Recession has since recovered, and with gusto. Simultaneously, many non-deed restricted rental units have been removed and then relisted as “Airbnb” or “VRBO”, shrinking the housing stock in several County communities<sup>1</sup>. What is left for rent is very expensive and often times far away from employment, amenities and services.

In 2016, the County commissioned a housing-needs assessment update, the results of which showed that *up to 1685 rental units needed to be added for the Summit County workforce*. The study pointed to a tight rental market, in-commuting employees, job growth, and the loss of rental homes from the rental pool. As units have been lost, new units have been slow to come on-line. Five LIHTC awards have been made historically in the County; **most recently in 2014** (Pinewood Village II, 4% PAB for 45 units) and 2012 (Sierra Madre II, 9%, 64 units), with the remainder in the mid-1990s. Overall there are only 266 LIHTC units in Summit County.

## Population Being Served

The development will attract neighborhood residents who, in many instances, now live in overcrowded or distant housing. Units will be restricted to very low- and low- income households with 5% set aside for those earning 30% AMI, 45% for those at 50% AMI and 50% for those earning 60% AMI.

### Unit Mix and Amenities:

The one-, two- and three-bedroom units will average 650, 880 and 1,100 square feet respectively. In unit amenities will ensure long-term marketability of the project and include fully equipped kitchen, ample storage space and central laundry facilities. The subject will offer a BBQ/picnic area, play area, and bus stop access.

“After paying \$200 a week to sleep on couches in Breckenridge and turning down the chance to share an R.V. for \$600 a month, he ended up in a cheap rental trailer in Leadville, 40 miles from work<sup>ii</sup>.”

### Type of Construction

Wintergreen Apartments will be in one (1) free standing, three-story walkup building with a Hardi-panel and stucco exterior, with a varied elevation and pitched roof. It will be constructed on a site that is approximately 1.91 acres. Units will have private entrances located along both sides of interior hallways. Parking will be in surface lots that meet the County’s parking requirements. As evidenced by the zoning letter, the project must have 52 on-site parking spaces and will offer 56. The rent will include reserved parking spaces. Any unallocated spaces will be available on a first-come, first-served basis.

### Type of Financing

The project will use 9% Low Income Housing Tax Credits, HOME funding from the State, local contributions from Summit County and permanent and construction debt financing. The project is helped significantly by saving upfront land-acquisition costs through our partnership with Vail Resorts. The ground lease payment is prorated (based on number of units) among the tax credit project and adjacent Workforce Housing project.

These saved dollars will leverage the tax credits and help offset other unavoidable fees (such as tap fees and site entry costs). We will defer 34% of developer fee on a 15-year pay back schedule to assist in funding a financing gap on the project. We have letters of interest from Enterprise for 9% LIHTC equity and Citibank for construction and permanent debt.

Sources and uses are as follows:

USES		SOURCES	
LAND*	0	FEDERAL LIHTC EQUITY	7,894,500
NEW CONSTRUCTION	8,003,315	SUMMIT COUNTY	300,000
SOFT COSTS + FINANCING	2,010,160	FIRST MORTGAGE	2,654,000
DEVELOPER FEE	1,502,000	STATE OF CO HOME	400,000
RESERVES	244,804	DEFERRED DEVELOPER FEE	511,779
<b>TOTAL</b>	<b>\$11,760,279</b>	<b>TOTAL</b>	<b>\$11,760,279</b>

\*Long Term Lease or Leasehold Interest Structure

## Identify which priorities in Section 2 of the QAP the project meets:

- **Projects in Counties with populations of less than 175,000.**
  - Summit County has a population of just over 30,000 people.

## Identify which Guiding Principles in Section 2 of the QAP the project meets:

- **To support rental housing projects serving the lowest income tenants for the longest period of time.**
  - Wintergreen offers 40 units to those earning 30% to 60% AMI with a 40 year LURA.
- **To provide for distribution of housing credits across the state.**
  - An award for Wintergreen will distribute credits geographically to the mountains and non-urban area.
- **To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit.**
  - The proposed project is a public-private partnership, with Gorman as the qualified for-profit sponsor and Summit Combined Housing Authority and Summit County as partners.
- **To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing.**
  - The proposed project will provide needed affordable housing in one, two and three- bedroom units for households in Summit County.
- **To provide opportunities for affordable housing within a half-mile walk of public transportation such as bus, rail, and light rail.**
  - The Wintergreen site is within 0.1 miles from the Summit Stage bus service which offers services to employment, services and shopping throughout the County. Bus service runs every half hour 6 am – 6 pm and hourly 6:30 pm -1:30 am per weekday on the Summit Stage. Keystone Resort has also committed to an employee bus shuttle.
- **To support new construction of affordable rental housing projects as well as acquisition and/or rehabilitation of existing affordable housing projects, particularly those with an urgent and/or critical need for rehabilitation or at risk of converting to market rate housing.**
  - The proposed new construction project will add and replenish affordable rental housing that has been converted to Airbnb or VRBO and has been lost from the rental pool.
- **To reserve only the amount of credit that CHFA determines to be necessary for the financial feasibility of a project and its viability throughout the credit period.**
  - The proposed project is being built in an expensive area known for above average construction costs. We have structured the deal to minimize costs where possible (ex: a ground lease versus an outright land acquisition) and are using design characteristics that allow for reduced construction costs (walkup buildings, no balconies, private entrances from interior hallways, a level site, and joint efficiencies with a simultaneous Workforce Housing project nearby).

- **To reserve credits for as many rental housing projects as possible while considering these Guiding Principles and the Criteria for Approval.**
  - As noted above, the proposed project's cost-saving approach lowers the credit request, allowing more credits to be available for other projects in the application round.

**Describe how the project meets the approval criteria in Section 2 of the QAP:**

**Market conditions:** The market is desperate for new affordable housing units, evidenced by very long waiting lists (up to 500 applicants) at existing properties and the fact that 97% of Keystone have to commute into town since there is no available housing.

As noted by the Market Study, the conditions are extremely favorable for this project:

- The subject's rents will be 29% to 70% lower than market rate rental units in the PMA.
- Unencumbered rents in the PMA have increased by up to \$179 in the last year and 5.\* per year between 2012 and 2016.
- 97% of all employees in Keystone commute in to their jobs due to the severe lack of affordable housing.
- The site has good access to the County Bus System (with a stop 0.1 miles from the subject site), childcare, schools, retails, jobs and recreation.
- On top of the existing housing shortage, the PMA will add another 146 renter households by the time this project will come online.
- In 2019, there will be 1,423 income- and size-qualified renter households in the PMA for the subject's units.

**Readiness-to-proceed:** The project is ready to proceed. The site is entitled for up to 243 units, of which this application is for 40 units. It will take 4 months for a site plan approval from the County. We received full zoning approval on May 22, 2017, without conditions, following 5 hearings in front of the Board of County Commission, including 15 hours of testimony, project review and public input. We also held a community open house attended by 28 neighbors. In our final zoning hearing, we heard overwhelming support for the entire proposed project.

**Overall financial feasibility and viability:** The Property Tax Exemption from the SCHA and the structure of a ground lease payment (rather than a loan acquisition at closing) are keys to project feasibility. Identifying a privately-held land parcel that we can lease reduces the project cost burden. Our experience developing in nearby Eagle County assures us of the feasibility of our project application.

**Experience and track record of the development and management team:** Multi-family developments in mountain communities are not easy deals to put together. The development project team has experience implementing projects in similar areas, including Lion's Ridge in Vail, a workforce housing development with two buildings completed in the fall of 2015 and two more completed in June 2016. Similarly, our project team has experience implementing mixed-income projects. We believe we are the best suited team for the project at this site.

- **Gorman & Company** will serve as **Developer** and **Architect** of Record on the Wintergreen project. We are utilizing **O'Bryan Partnership Architects** as the Summit County based **Design Architect**. **Gorman General Contractors, LLC**, an affiliate of Gorman & Company, will serve as **General Contractor**. As a "vertically integrated" development firm with in-house architecture and construction staff, Gorman & Company has the capacity to produce affordable, multifamily development projects from concept to delivery. **Norris Design's** Summit County office has been leading **Entitlements** and **Landscape Architecture** and will work closely with the Summit County office of **Terta Tech** for **Civil Engineering**. The Property Management will be led by **Corum Real Estate**. We have a working relationship with Corum, as they are the property manager for our Lion's Ridge development in Vail, Colorado.

**Gorman & Company, Inc.** has 30 years of experience in developing some of the nation's highest quality workforce housing and neighborhood revitalization projects. Gorman & Company works closely with local governments and community groups to meet their development, planning, economic and social goals. With over 70 community revitalization projects in their portfolio, Gorman has utilized the LIHTC program since 1989 and worked with other financial tools, such as EB-5, to accomplish revitalization goals for communities. Gorman's staff brings a broad range of development, construction and real life experience to the development process and applies those skills to solve problems and help communities bring plans to reality. Of the 70+ projects that Gorman & Company has completed over the past 30 years, the company has never had a foreclosure, never defaulted, and never has had the general partner replaced by the investor.

- **O'Bryan Partnership** will offer local design architecture for the project to ensure smooth interactions during the building permitting process. Since 1999, O'Bryan Partnership's consistency, efficiency and thoroughness have created a legacy of repeat clients. One of the most valuable assets O'Bryan Partnership brings to this project is active problem solving capability during all phases of design and development while ensuring that the design focuses on efficient operations.
- **Gorman & Company Architecture and Design** was formed in 1998. It has designed over 35 innovative affordable multifamily developments in six states. Gorman's architects have specialized in mixed use, mixed income and workforce housing; and the preservation of existing affordable housing. Projects designed by Gorman & Company have won many awards and have attained the highest standards of sustainable/green design and marketable yet cost efficient design.
- **Gorman General Contractors, LLC** will serve as General Contractor. We were General Contractor for Lion's Ridge in Vail and will bring our subcontracting partnerships to the Keystone site. We believe that the best way to ensure high quality and timely construction is to internalize the construction function of development. This ensures accountability and attention to detail to support each construction phase. We continually improve our construction practices with each successive development through lessons learned and cross-discipline communication. Gorman & Company, Inc./Gorman General Contractors, LLC has been serving this role over the last 15 years.



- **Corum Real Estate Group** has been providing property management services in Colorado for over 30 years. We have a working relationship with Corum, as they are the property manager for our Lion's Ridge development in Vail, Colorado.

*Please see the resumes included with this application for more information on our development team.*

**Cost reasonableness:**

The costs submitted for this LIHTC application are realistic and reflect the current state of the construction market. Knowing that mountain communities face higher construction costs due to project location, transportation, and labor, we worked very hard to reduce the cost to build Wintergreen Apartments to ensure CHFA can support more LIHTC projects with this source of tax credits. Specific cost-saving measures are detailed earlier in this narrative.

**Proximity to existing tax credit developments:** *There are no existing tax credit properties in Keystone.*

Additional tax credit properties exist in the County in Silverthorne, Breckenridge and Dillion. As evidenced by the Market Study, all existing LIHTC projects have very long waiting lists (up to 500 persons) and are 100% occupied. More projects are needed in Summit County. There are no LIHTC projects in the pipeline in Summit County.

**Site suitability:** The site for Wintergreen Apartments is relatively level, has excellent access to Highway 6 and employment opportunities, offers great visibility, and is part of a larger mixed-income tract with open space and bus access, which is attractive to renters.

**Additional Information**

**Justification for waiver of any underwriting criteria:**

- We are seeking a basis boost since the site is in a DDA.

**The Market Analyst raised the following concerns:**

- Concern: The subject's location is slightly inferior to surveyed comparables because it is farther from shopping and services.

How we are Mitigating:

- a. The subject site is within 0.1 miles of a bus stop, which offers transit for free to destinations throughout the county, providing convenient access to nearby towns.
- b. The subject offers great visibility, open space and access to neighboring communities.
- c. The subject's proposed rents offer a good value to potential tenants. Long waiting lists and 0% vacancy in available LIHTC units will attract tenants to the subject site.
- d. Its project amenities and unit sizes are generally comparable to its primary LIHTC competitors, which will enable it to remain competitive over the long-term.

- Concern: The subject's in-unit amenities are inferior from the lack washer/dryer and patio/balcony.

How we are Mitigating:

We will provide a central laundry facility and enhance the access to adjacent walking paths and trails for immediate access to outdoor spaces.

- **Concern:** The market study indicates a capture rate above 25% for the subject's 60% AMI units.

**How we are Mitigating:**

The market study goes on to explain that capture rate is attainable because of extensive wait lists (up to 500 applicants), 0% vacancy in LIHTC projects, continued loss of rental housing supply to short-term vacation rentals and increasing rent levels indicative of a tight rental market. This all points to pent up demand. Furthermore, the overall capture rate for the project is under 25%, given the 30% and 50% AMI units. We also know that the recent 60% AMI units at Pinewood Village II in Breckenridge was 100% preleased before the project opened.

**Address any issues raised in the environmental report(s) submitted with your application, including how the issues will be mitigated, if applicable:**

A Phase I ESA for the site is included with this application. There were no issues raised in the environmental report.

**Identify if there are any unusual features that are driving costs upward as well as if there are any opportunities to realize cost containment:**

The proposed project is being built in an expensive area known for above average construction costs. We have contained costs where possible (ex: a ground lease versus land acquisition) and are using design characteristics that allow for reduced construction costs (walkup buildings, no balconies, private entrances from interior hallways, a level site, and joint efficiencies with a simultaneous Workforce Housing project nearby).

**In your own words, describe the outreach to the community that you have done and describe and demonstrate local support for the project (including financial support):**

We hosted a Community Meeting, in which 28 neighbors attended, for the proposed project on January 27, 2016. Participants offered support for affordable housing and asked for site access considerations, which we are addressing in our plans. In speaking with employers, renters and Elected Officials it was noted time and time again that affordable housing is scarce and that new housing is needed quickly. Additionally, we spent more than 15 hours in public hearings over 5 Board of County Commission hearings on Wintergreen, and ultimately received overwhelming support for the project. The Board of the Summit Combined Housing Authority has discussed the project and determined to support it with their partnership.

**For acquisition/rehab or rehab projects, describe the rehab plan.** NA – this is new construction

**Additional Documentation:** Community Outreach information and news articles regarding the project.

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<sup>i</sup> Langley, Alli. "\$7 million Breckenridge affordable housing project moves forward." *Summit Daily News*. 3 March 2015. Accessed 21 January 2016. <http://www.summitdaily.com/news/15292542-113/7-million-breckenridge-affordable-housing-project-moves-forward>

<sup>ii</sup> Healy, Jack. "Precipitous Rents in Ski County Push Workers to Edges." *The New York Times*. 24 January 2016. Accessed 28 January 2016. <http://www.nytimes.com/2016/01/25/us/precipitous-rents-in-ski-country-push-workers-to-edges.html>

# 9% lihtc application narrative



Project Name: **Woodgate Trails**

Project Address: **1628 Odelle Road, Montrose, CO 81401**

## Executive Summary

*Woodgate Trails* will be a newly constructed 50-unit, 3-story building designed to serve seniors, aged 55 and over. This design will provide easy and safe access to common amenities, activities, and foster a sense of community for residents. The upper floors will be served by a centrally located elevator, with stairs on each end of the building. *Woodgate Trails* will be located at 1628 Odelle Road, Montrose, CO and offer well-appointed common and unit amenities.

Planned unit amenities include, full size E-star appliances, washer and dryer, ceiling fans, large windows and closets, and balcony. Within the common space, residents will have access to a Fitness Room, Computer/Library Room, Game Area, Community Kitchen, and Wireless Internet. A Wellness Room for general clinics; blood pressure screenings, nutritional consultations, etc. is available to local service providers. The daily office manager will be an active conduit to contact and coordinate its use with service providers. Outside, an abundance of green space, Garden, and Outdoor grill/picnic area and walking path with benches designed to connect to Woodgate Rd, and Kellie St. to enhance walkability to nearby stores and the just completed \$30MM Recreation Center. *Woodgate Trails* will be a Smoke-Free Building.

Energy efficiencies for the project include: Preservation of Open Green Space; Advanced Water Conserving Appliances and Fixtures; Environmentally Preferable Flooring and Materials; Recycling Storage; and Energy Efficient Roofing.

The foundation will be concrete footings with concrete slab on grade, and the structure will consist of wood and steel framing. Roofing will be architectural roofing shingles and the exterior will be a mix of manufactured stone veneer and fiber cement siding and trim.

In addition to Low Income Housing Tax Credit Equity, financing for the project will utilize a permanent loan from CHFA, as well as soft loans from Colorado Division of Housing and deferred development fee. Based on feedback from CHFA, *Woodgate Trails* changed from 48 duplex/cottage style units to a single 50-unit, 3-story building. The unit mix also changed from 12 1BR and 36 2BR to the new mix of 38-1BR and 12-2BR. The individual garages originally proposed were replaced with surface parking, however, a Porte Cochere at the front entrance will provide shelter while loading and unloading if desired. Control access entry will add additional security for residents. Instead of a separate community building, the common space project amenities will be provided on the main level. The project will serve seniors ages 55 and over with the unit mix and AMI levels as follows:

	Total Units	Total Tax Credit units	Total Units 30% AMI	Total Units 40% AMI	Total Units 50% AMI	Total Units 60% AMI
Total # of 1 bedroom units	38	38	4	7	18	9
Total # of 2 bedroom units	12	12	1	2	5	4
<b>Total</b>	50	50	5	9	23	13

**Woodgate Trails**, a project presented by Four Corners Development, LLC for the senior population in Montrose, CO. Four Corners Development prides itself in seeking out communities that have a great need for affordable housing, yet offer a host of amenities that encourage active lifestyles, along with forward-thinking city leadership. This combination fosters a strong sense of community pride – one that long-time residents are unwilling to give up, and likewise, one that draws new residents to the community. We believe these are the vital components of building stronger communities – helping provide affordable housing within a changing environment that encourages opportunities for residents to remain (or become) vital members of the community. By doing so, our properties serve as a critical safety-net for real people to transition through difficult phases of life; whereby they can maintain a sense of dignity, remain in the workforce, enjoy a safe and clean environment and find encouragement to live life to the fullest. For the senior population, this speaks to a silver-lining lifestyle.



*Woodgate Trails*, will be a newly-constructed apartment-style, affordable tax credit development in the City of Montrose, Colorado. It will provide a total of 50 units; a mix of both one- and two-bedroom options designed for moderately active, independent, seniors. Boasting a city population of 19,132 based on the 2010 United States Census, with currently only 16 existing senior low-income housing tax credit units in the Montrose market that are not project based Section 8, it is no surprise there is a shortage of quality affordable housing for seniors. With the challenge of the overall walk score for the city of Montrose being 27, Four Corners Development worked diligently to identify a site with an impressive walk score and also offered amenities specifically suited to active seniors. The undeveloped land just east of numerous appropriate commercial amenities and close to the intersection of Woodgate and Odelle Road, met that criteria; delivering a walk score of 49 and a bus stop 2 blocks away – which provides transportation to downtown Montrose every hour. Thus, *Woodgate Trails* offers ease of mobility and is within a short walking distance to grocery stores, medical care, local restaurants and offers easy access to the heart of Montrose.

Originally, *Woodgate Trails* was proposed as a duplex community, offering a mix of one- and two-bedroom units with garages. CHFA suggested the project be re-designed as an apartment-style configuration, indicating that seniors prefer this design; they feel safer, it is easier to stay

connected to their neighbors, and the ease of gathering with friends during cold and rainy days. Given the overwhelming approval of our recently completed project in Pueblo (*Oakshire Trails*) that fits this model, thus we incorporated several aspects of that project into *Woodgate Trails*. The upper floors will be serviced by a centrally located elevator, with stairs on each end of the building. The covered entrance will provide an area for loading and unloading. Roll-carts will be available to assist residents with getting groceries or other items to their residence more easily. *Woodgate Trails* is designed to promote a sense of community and belonging. The common area on the first floor offers an inviting atmosphere with large windows and quaint seating for enjoying a conversation with a good friend or playing a friendly game of cards. For those wishing for a more competitive gaming event, there are several tables which can be used to host a weekly bridge tournament, or similar event. For those looking to keep up with world events or escape into solving a mystery, they can take advantage of the on-site computer stations available. The fitness center offers the residents the opportunity to stay fit and active from the comfort of the indoors. Additionally, residents can use the kitchen facility for hosting small events. A patio connects to the outdoor amenities, once again to promote a transitional and engaging opportunity to the outdoor amenities. The design of the outdoor space is also unique in serving the needs of the residents. For those whom already have green thumbs, they will have the opportunity to work the dirt and foster the growth of a vegetable, herb and/or flower garden in the raised bed planters. The flat, meandering walking path will be useful for not only general enjoyment of the outdoors, but also as an opportunity for continued light exercise or help with rehabilitation after a minor surgery or health issue.

Seniors today are healthier and more active than ever before. These seniors will have the opportunity to experience all that life continues to offer them. The recently completed 82,000 square foot Community Recreation Center, located within ¼ mile of *Woodgate Trails* perfectly complements the amenities provided at *Woodgate Trails*; making *Woodgate Trails* the perfect choice. Between the Recreation Center and the other options such as biking, hiking, golfing, river rafting or visiting any of the other nearby attractions due to the close available transportation, residents of *Woodgate Trails* should live active and healthy lives.

**Why seniors:** While certainly there is a need for affordable housing among all segments, unquestionably one of the greatest needs are for those individuals aged 65 and older. Since January 1, 2011 an average of about 10,000 baby boomers are reaching age 65 every single day, and is expected to continue until about 2030. It is reported that renters in this same age group will increase by 100% during that same time frame. Not only are the baby boomers 'coming of age' but they are healthier, and more active in comparison to prior generations. With the advancements in health education, technology and medical breakthroughs, they will enjoy a longer life than any prior generation has experienced. At first glance, an additional thirty (30+) years of life sounds delightful, yet the reality of it delivers a host of challenges, which among other things includes limited financial resources to remain independent.

**Why Four Corners Development:** Four Corners and Hamilton Builders are a group of long time real estate developers who have taken their combined skillset and financial capacity to create a group that brings it all together for affordable housing. Project design is handled by Rita Baron, principal of Baron Design and Associates, LLC. Baron has developed over 1,100 senior and multifamily housing units. Ryan Hamilton and Douglas Hamilton are the Vice President and Construction Compliance Supervisor of Hamilton Properties Corporation. Founded in 1968,



Hamilton Properties Corporation has developed, built and managed over 2,500 low-income and senior housing units. Mike Hamra, an attorney, is the President and CEO of Hamra Enterprises, which has participated in the development of over 600 low-income and senior housing units. Four Corners Development, formed in August 2011, is an entity whose partners have 54 years of combined experience designing, developing, and managing LIHTC developments. The partners have been involved in developing affordable housing across multiple states and have weathered the storm during times of economic boom and bust. In addition to the skills and resources of the four partners, they have built a staff that is second to none. The staff of 18 has a combined 100 plus years of real estate and LIHTC development experience. The company's combined human resources and financial capacity allow it to attract many investors and lenders and handle multiple projects in different states. Four Corners Development presents a capable, well-rounded team that is focused on serving the housing needs of the low to moderate income working families and seniors, developing communities, and providing jobs to the local economy. It shares CHFA's value for quality housing, useful amenities and cost-effectiveness. Four Corners will partner with Pillar Property Service to serve as the property manager. Pillar is a non-profit housing and services organization that manages nearly 2000 units, at 30 locations throughout Colorado. Pillar Management is exclusively focused on affordable and subsidized properties.

### **Strengths**

- **Site ideal for Senior housing:** The site offers the quiet peaceful setting of a typical residential area but still has great walkability to groceries, dining, medical services and parks and recreation, most notably the \$30MM new recreation center recently completed in February 2017. This new recreation center offers many services and activities for seniors. It also provides close access to public transportation for travel throughout the City of Montrose.
- **Readiness to proceed:** The site is properly zoned as R-3, or residential medium-density. A conditional use permit was approved for the apartment style design on May 24. Four Corners Development has met with City officials in addition to holding a neighborhood meeting for area residents. Assistant City Manager, Rob Joseph provided a letter of support for the project.
- **Development team:** The combined experience of the partners who make up Four Corners Development, along with their staff of eighteen and consultants bring the necessary experience and capacity to deliver quality development efficiently.
- **Desirable unit amenities:** Large windows to allow natural light. Patio/balcony to expand living space to the outdoors and allow for fresh air. Large closets to allow for plenty of storage. Full sized, energy star appliances and 9' ceilings. Washer and dryer provided in each unit.
- **Community environment:** The entire design of *Woodgate Trails* promotes a feeling of community with a strong focus on activity. The common space integrates larger areas for gathering to play games, socialize or celebrate a special event. The outdoor space invites residents to enjoy activities to satisfy their mood; picnic with others, garden, take a leisurely stroll, play an outdoor game or utilize the pathways to visit nearby neighbors.

- **Answers a severe need:** The addition of these 50 units will increase the available units to low-income seniors from 16 to 66 and still return an overall capture rate of 9.3% for the project.
- **Promotes healthy lifestyle:** Fitness room, walking trails, outdoor games, and gardening are free to residents and their guests. There will also be wellness checks provided in the community building and an activities coordinator will help plan and provide recreational opportunities.
- **Strength in Partnership:** Four Corners plans to work with Pillar Property Services as their property manager. Pillar is the property management arm of the Rocky Mountain Communities (RMC) non-profit housing and services organization with a strong presence on the western slope, as well as the Denver area. Pillar manages nearly 2000 units at 30 locations throughout Colorado. Pillar Management is exclusively focused on affordable and subsidized properties. Additionally, Four Corners anticipates the Montrose County Housing Authority becoming a special limited partner which will provide the project a property tax exemption.

### **Weaknesses**

- Somewhat Car Dependent – based on the Walk Score of 49, the site is labeled “Car Dependent”, yet it is only one point away from being labeled ‘Somewhat Walkable’. It is very close to many desirable amenities that fit the needs of seniors. This location delivered a significantly higher walk score than the overall average Walk Score for Montrose, which is 27.

### **Type of Construction**

The *Woodgate Trails* project will consist of a mix of one- and two bedroom units; 50 units total.

- Wood and steel frame construction.
- The roof will be pitched; architectural roofing shingles will be used.
- The exterior façade of the building will be a combination of fiber cement siding and manufactured stone veneer.
- There will be large windows in the kitchen, bedroom(s) and dining area.
- The units will have 9-foot ceilings, ceiling fans, washer/dryer and individually controlled heat and air conditioning.
- Kitchens will be equipped with full-sized, energy-star rated appliances; refrigerator, electric range/oven, dishwasher, and disposal.
- Each unit will have a useable patio/balcony.

**Types of Financing:** In addition to Low Income Housing Tax Credit Equity, *Woodgate Trails* will utilize a permanent loan from CHFA, soft loans from Colorado Division of Housing and, deferred development fee.

**Location:** The project site is located on the Southeast corner of the intersection of Odelle Rd. and Woodgate Rd. in Montrose. The project will be situated on the western 8-acre portion of the total 18.1 acre parcel which is zoned Residential Medium-Density (R-3); appropriate for the proposed project. A conditional use permit was approved at the May 24<sup>th</sup> Planning and Zoning meeting. All utilities are available at the site. *Woodgate Trails* is perfectly located in an area

where residents have the option to travel throughout the city of Montrose with ease for daily errands or jobs, medical appointments, or recreational activities in the area.

Within one (1) mile of the site residents will find a Walmart Supercenter, Target, Home Depot, Fresh Market, Banks, Dental, casual and sit-down dining, several churches, convenience stores and a brand-new recreation center. Overall, the strength of the combination of amenities and location provides a highly desirable community for seniors.

### Amenities

- Common area – fosters strong friendships
- Computer Room & Library
- Walking path with benches
- Outdoor grill/picnic area
- In-unit washer and dryer
- On site manager
- Fitness Room
- Game area
- Community Garden
- E-star Appliances
- Smoke-Free Building

### Energy Efficiencies

- Preservation of Open Green Space
- Advanced Water Conserving Appliances and Fixtures
- Recycling Storage
- Environmentally preferable flooring and materials
- Energy efficient roofing

### Guiding Principles

- ***To support rental housing projects serving the lowest income tenants for the longest period of time*** - *Woodgate Trails* has committed to providing five units at 30% AMI, nine units at 40% AMI, twenty-three at 50% AMI and the remaining thirteen at 60% AMI. There are currently only 6 units at 50% AMI and below in the market area. *Woodgate Trails* will add 37 units at 50% AMI or below, serving the much needed very low income households. Montrose County incomes are much lower than many other areas of the state which makes providing housing in this area much more difficult. Also, *Woodgate Trails* has committed to extend the LURA to the maximum 40 years.
- ***To provide for distribution of housing credits across the state, including larger urban areas, smaller cities and towns, rural, and tribal areas*** - Montrose County has a population of about 40,000 with most residents near the City of Montrose. It has been 9 years since the county last received a 9% allocation and 13 years since a senior project received an allocation.
- ***To provide opportunities to a variety of qualified sponsors of affordable housing, both for-profit and nonprofit*** - *Woodgate Trails* will be developed by a for-profit entity but will utilize the management expertise of Pillar Property Services. With Pillar as the property manager, *Woodgate Trails* benefits from having an experienced operator with local knowledge. Simultaneously, Pillar benefits by adding to its management portfolio which helps support a primary advocate of affordable housing in Montrose.
- ***To distribute housing credits to assist a diversity of populations in need of affordable housing, including families, senior citizens, homeless persons, and persons in need of supportive housing*** - *Woodgate Trails* will serve independent seniors aged 55 and over.



The grounds and recreational amenities will appeal to the full range of 'limited to moderately active' independent seniors.

### **Housing priority in Section 2 of the QAP**

#### ***Woodgate Trails* meets the priority for counties with a population of less than 175,000.**

Montrose County, based on the most recent census had a population of 40,713 in 2010. The city of Montrose is the county seat and the most populous municipality of Montrose County. Montrose is located in south-western Colorado, and is well known for its regional recreational areas. Montrose is known as a manufacturing hub for outdoor products; Ross Reels and Scott Fly Rods primarily serve the fly-fishing industry and Gordon Composites supplies nearly 90% of the high-performance laminate material used in the bow-hunting industry. The City of Montrose has plans for a major development along the river corridor. Most recently a water/river park has opened with much success. It is expected this river walk development area will increase tourism, in addition to attracting major businesses to the City of Montrose.

### **Describe how the project meets the criteria for approval in Section 2 of the QAP:**

**Market conditions** - There is tremendous need for additional affordable apartments for seniors in Montrose. The capture rates for the subject are very strong, with an overall capture rate of only 9.3%. Capture rates at individual AMI levels are: 2.8% at 30% AMI to 4.7% at 40% AMI, 14.4% at 50% AMI and 15.7% at 60% AMI. Given there are currently no comparable senior tax credit properties available in Montrose, and only one small, lesser-quality property (16 units) tax credit property in Delta, there is a strong need for affordable senior housing in Montrose.

**Readiness-to-proceed** - As evidenced by the provided letters of support and the feedback from the planning sessions with the City of Montrose, the community is very supportive of adding affordable senior housing in this location. Due do this support, Four Corners anticipates having site plan approval by January and being able to start construction in June of 2018.

**Overall financial feasibility and viability** - Income and rents in Montrose County are lower than many other areas of the state which makes development particularly challenging as projects cannot support a significant amount of debt. *Woodgate Trails* properly balances the need to be financially feasible along with serving lower incomes.

**Experience and track record of the development and management team** - The project will be developed by Four Corners Development, LLC, an entity comprised of individuals representing three firms experienced in affordable and senior housing development, design, construction, and management. Partnering with additional local organizations enhances the strength of the development team. Our mutual commitment to high quality facilities provided the platform to build our team. The Pillar Property Services will lend their experience, professionalism and understanding of the market; qualities that we believe are invaluable.

**Cost reasonableness** - *Woodgate Trails* construction costs are about \$160,000 per unit. The overall development costs are about \$260,000 per unit. The current budget has been vetted by Four Corners Development, Hamilton Builders and Nexus Builders and is very reasonable for the current construction climate. Four Corners and Hamilton Builders have experience with this type of construction through their development profile.

**Proximity to existing tax credit developments** - There are three tax credit properties within 25 miles of Woodgate Trails. They are listed below. Delta Village is the only one that is age restricted.

- Delta Village (16 units) – 22.5 miles away
- Sunshine Peak Apartments (92 units) – 2.7 miles away
- Cottonwood Apartments (60 units) – 0.6 miles away

**Site suitability** - The site is relatively flat and ready for development. All utilities exist on the site and the City of Montrose is extremely supportive of the project. With many amenities and services within just a few blocks, residents will be able to walk to a grocery store, medical services, and a newly constructed recreation center; all of which are available *within 2 blocks of the site*. The site offers a generous area for green-space which has been designed to promote an active lifestyle. The location of the site provides the best that life has to offer; daily peaceful enjoyment with the opportunity to easily run errands and stay connected to all that the city of Montrose offers.

**DSCR** – The project begins with a DSCR above 1.30. This is necessary to keep the DSCR above 1.15 for the 15 year credit period. Due the low incomes in Montrose County and the lower AMI targeting the project has as DSCR that trails downward.

**Basis Boost Justification** – The project is very efficient with its design and costs but does need a basis boost to be financially feasible. The boost is needed because the lower incomes in Montrose limit the amount of debt that can be supported.

**Community Outreach and Local Support** - *Woodgate Trails* has reached out to many local service providers and the community at large. They anticipate partnering with service providers who will regularly offer wellness services. There is a wellness room on the first floor just off of the main gathering room.

*“The Woodgate Trails Senior Housing is a project that models the type of housing that will benefit our seniors and make aging in place in Montrose, Colorado attainable. The location was well thought out with convenient access to public transportation shopping, pharmacy and other necessary services.”*

- Eva Veitch, the Community Living Services Director at Region 10 LEAP, a non-profit service provider for Western Colorado.

**Attachments:**

Please also see the provided letters of support from:

1. City of Montrose – Assistant City Manager
2. Montrose Economic Development Corporation
3. Region 10 League for Economic Assistance and Planning
4. Montrose Downtown Development Authority
5. Montrose Recreation District